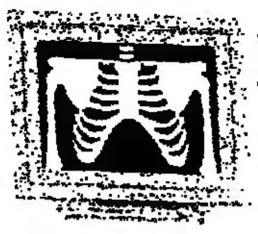
FINANCIAL TIMES



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Boosted by cheaper telecoms
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Czech finance
Separate section

Weekend FT
Who will guard the land when we have gone?

World Business Newspaper — FRIDAY APRIL 26 1996

China and Russia warn west against seeking domination

Chinese president Jiang Zemin and his Russian counterpart Boris Yeltsin yesterday warned the west not to seek to dominate a post-cold war world. They also resolved in a joint communiqué to form a "strategic partnership" that would span security and economic ties into the 21st century. The two leaders, seen relaxing above, presided in Beijing over the signing of 13 agreements covering issues that ranged from setting up a leaders' hotline to co-ordinating a fight against crime. Page 8

London bomb attempt fails: A bomb which failed to go off fully near a London bridge on Wednesday night contained more high explosives than any other yet planted in Britain, police said. The device, with more than 30lbs of explosive, was the sixth planted in London since the IRA ended its 17-month ceasefire in February. Page 16

Ford eyes Asia: US car giant Ford Motor has set a long-term goal of achieving a 10 per cent market share in Asia compared with a current regional share of about 2 per cent.

Chernobyl radiation scare: An incident at the Chernobyl nuclear power station in Ukraine caused what officials called a minor release of radiation on Wednesday night, the eve of the 10th anniversary of the world's worst nuclear accident there. The incident happened as staff changed filters that pump air from the sarcophagus encasing the fourth reactor. Picture, Page 3

Khan sets up Pakistan party: Former Pakistan cricket captain Imran Khan launched a reform movement to fight corruption and injustice. He said he would turn his Tehrik-e-Insaaf (justice movement) into a political party when people showed support for it. Page 8

Japan in repo pact: Japan's monetary authorities signed repurchase agreements with Australia, Hong Kong, Indonesia, Malaysia, the Philippines, Singapore and Thailand, a move aimed at providing liquidity and helping stabilise regional foreign exchange markets. Page 8

González 'not linked to dirty war': No evidence was found to link outgoing Spanish prime minister Felipe González with accusation over the "dirty war" against Basque terrorists in the 1980s, the country's supreme court investigator said. The "dirty war" scandal cost González the support of his former parliamentary allies and forced him to call elections early. Spain waits, Page 2

Israel drops claim: Israel's ruling Labour dropped a manifesto claim that retaining the Golan Heights was an absolute strategic national need. Israeli fighter aircraft continued their two-week old attack on Lebanon. Page 3

Mexican media group Grupo Televisa made a 396m pesos ($53.5m) first quarter net loss. It was hit by higher debt-servicing costs and falling sales and revenues. Page 17

Direct Line to the US: Peter Wood, the Briton who turned phone based Direct Line into the UK's biggest motor insurer, has raised an initial $215m to launch an assault on the American auto insurance market via a new US company. Page 17

Telefónica, Spain's partly state-controlled telecoms group, released first-quarter figures showing a 20 per cent rise in consolidated net profit to Pta24.08bn ($190m). Page 17

Farmers challenge beef ban: Britain's farmers won the right to challenge the European Commission's worldwide ban on British beef exports in the European Court. The ban was introduced after the UK government disclosed a possible link between the cattle disorder BSE and a fatal human brain disease. Page 16

County's bankruptcy 'not justified' The bankruptcy 1994 petition of California's Orange County was not financially justified, argues Nobel economics laureate Merton Miller. Page 4

■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,514.52	(-39.38)
NASDAQ Composite	1,175.47	(-1.36)
Europe and Far East		
CAC40	2,116.35	(-5.75)
DAX	2,532.41	(-5.85)
FT-SE 100	3,819.3	(+1.7)
Nikkei	22,230.1	(-51.95)

■ US LUNCHTIME RATES

Federal Funds	5⅛%
3-mth Treas Bills: Yld	5.114%
Long Bond	89⅛
Yield	6.850%

■ OTHER RATES

UK: 3-mo Interbank	6%	(same)
UK: 10 yr Gilt	96⅛	(95⅞)
France: 10 yr OAT	105.89	(106.05)
Germany: 10 yr Bund	97.33	(97.73)
Japan: 10 yr JGB	97.292	(97.64)

■ NORTH SEA OIL (Argus)

Brent Dated	$20.465	(20.395)

■ GOLD

New York: Comex		
June	$395.3	(392.7)
London:		
close	$394.3	(391.0)

■ DOLLAR

New York lunchtime		
£	1.5065	
DM	1.5335	
FFr	5.1756	
SFr	1.2385	
Y	106.645	
London:		
£	1.5114	(1.5128)
DM	1.5295	(1.5219)
FFr	5.165	(5.1398)
SFr	1.2365	(1.2333)
Y	106.515	(106.785)

■ STERLING

DM	2.3118	(2.3023)
Tokyo $ close:	Y 106.7	

Albania	LEK 220	Germany	DM4.00	Lithuania	Lts 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.65	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh18	Slovak Rp	Sk65
Bulgaria	Lw130.00	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Cyprus	C£1.20	India	Rs75	Nigeria	Naira90	Spain	Pta250
Czech Rp	Kč50	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20
Denmark	DKr18	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Syria	S£85.00
Estonia	EKr 22	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
Finland	FM15.50	Kuwait	Fils650	Portugal (w/land)		Turkey	L80,000
France	FFr11.50	Lebanon	U3,000		Es240	UAE	Dh12.00

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Protests as spending is reduced DM25bn in effort to boost economy

Bonn coalition leaders back plan for cost-cutting

By Peter Norman in Bonn

The leaders of Germany's coalition government yesterday agreed a controversial package of spending cuts, welfare reforms and tax changes aimed at boosting the country's flagging economy and creating the conditions for more employment.

The federal government will cut spending next year by DM25bn, while similar economies are planned for state and local authorities to halt a rapid worsening of the public finances.

To reduce non-wage labour costs and ensure that Germany can be a founder member of European economic and monetary union in 1999, the government has also prescribed reductions of nearly DM20bn for the country's pension and health insurance funds.

News of the package triggered strong protests from the main opposition Social Democratic party. Mr Oskar Lafontaine, the SPD leader, said it was a "programme against workers, families and pensioners".

In a letter to his fellow citizens, Mr Helmut Kohl, the chancellor, said the measures were needed to combat unemployment. "More jobs will be lost if we don't act now. Our welfare state could no longer be financed," he said.

Early reactions indicated that the package was much tougher than expected. For example, it envisages the freezing of many benefits and tax allowances next year as well as public sector pay. Wage negotiations for the public sector began yesterday but were adjourned without the employers making an offer.

After Tuesday night's failure to win trade union backing for politically sensitive cuts in sick pay and job protection, Mr Kohl's government will push ahead with legislation to cut payments made by employers in the first six weeks of illness to 80 per cent of basic wages. At present employers have to pay salary and extras such as overtime in full at an estimated cost of DM68bn a year.

In the hope of making a big dent in Germany's 4.14m army of unemployed, the coalition also plans legislation to exempt many small companies from Germany's tough employment protection rules. If approved, protection against dismissal will apply to companies with more than 10 workers rather than those with more than five as at present.

Mr Heribert Späth, president of the association of German craft industries, yesterday predicted that this move would trigger "a wave of hiring" and create up to 500,000 new jobs. Nearly 80 per cent of companies in Germany employ fewer than 10 people, and Mr Späth said surveys suggested that between a fifth and one-quarter of small businesses would increase workforces in response to the planned change.

With its emphasis on reducing employers' costs, the package is intended to make Germany better able to deal with competitive pressures. According to Mr Hermann-Otto Solms, the leader of the liberal Free Democrat party in the Bundestag, the proposals recognise that many of the policy measures used in the past to cut unemployment no longer work.

Coalition officials pointed to a new tax break to encourage employment in private households as a sign that the government was not afraid to innovate to boost employment.

Beyond spending cuts, Page 2
Time for Kohl to go, Page 14

Helmut Kohl: 'More jobs will be lost if we don't act now. Our welfare state could no longer be financed' Picture: Reuter

Grain prices soar as poor crops hit stocks

By Deborah Hargreaves in London

World grain markets soared yesterday, setting new record prices for wheat and maize, with stocks expected to fall this year to their lowest levels since 1948.

Mr Dan Glickman, US agriculture secretary, called on the markets not to panic as the European Commission said it would put a tax on European Union flour exports.

Traders in Chicago, the world's main commodity market, have pushed grain prices to new highs for the past three days as the outlook for the US wheat crop, planted last winter, has worsened. This follows poor harvests last year in main producing countries such as Australia.

Trading in wheat at the Chicago Board of Trade halted for several hours when the market reached its daily permissible price rise. The Commission said it would increase the tax it levies on wheat exports by Ecu10 to Ecu45 a tonne in a bid to stop EU grain being exported.

Mr Glickman told Reuters news agency in an interview: "There's a lot of excess psychology that's fuelling the markets right now. People need to relax, cool down. We are in no crisis and there is no reason to panic."

World stocks of wheat have sunk to their lowest for at least 20 years, and many analysts are expecting stocks to fall further.

Mr Vic Lespinasse, a Chicago trader with Dean Whitter Reynolds, a brokerage, said: "I've never seen anything this strong in the 24 years I've traded here. Everyone is bullish on grains. We need bumper harvests back to back to try and rebuild world stocks, but the indications are that this won't happen this year."

The US Department of Agriculture reported this week that nearly half of the US winter wheat crop was in poor shape.

EU grain shipments have been cut off from the export market since the Commission imposed a tax last December. That increases the importance of crops in the US

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Commodities, 25

US Congress set to approve budget at last

By Jurek Martin in Washington

The US Congress was yesterday expected to approve a budget agreement for the current fiscal year, hammered out on Wednesday night by Republican leaders and the Clinton administration.

The $163bn deal covers nine of the 13 leading government departments and other federal agencies which have lacked a budget for the first seven months of the financial year.

Passage would remove the threat of a third government shutdown and the need for what would have been a 14th temporary funding bill.

Like most compromises, it enabled both sides to boast they had won. But the larger political advantage in the protracted budgetary impasse clearly lies with President Bill Clinton and the Democrats. It took significant Republican concessions over the environment, education and job training in the final negotiations to bring about an agreement.

Nevertheless, Republican leaders claimed satisfaction because the level of departmental spending was $23bn less than last year. This, said Mr John Kasich, House budget committee chairman, was "a tremendous victory".

But Mr Leon Panetta, White House chief of staff and chief administration negotiator, said the agreement went "a very long way towards protecting the president's priorities". It included restoration of nearly $5bn in spending previously cut by Congress.

One non-budgetary concession by the Republicans was vital in removing the final threat of a presidential veto. They promised to rescind a regulation passed earlier this year forcing the discharge of any member of the armed forces testing positive for HIV, the virus that may lead to Aids.

Similarly, the Republicans also agreed to drop several riders weakening environmental regulation or to grant Mr Clinton the right to waive them. These included provisions ending the Environmental Protection Agency's authority over national wetlands, authorising more logging in an Alaskan national park and imposing a moratorium on additions to the endangered species list.

The Republican drive to weaken environmental laws has both split the party and proved unpopular with the public. This week Congressman Newt Gingrich gave the "greenest" speech of his speakership, virtually admitting that Republicans had misread the national mood on the environment.

That judgment could equally be applied across the budgetary board. Mr Clinton successfully blamed Republican ideological "extremism" for forcing the two

Continued on Page 16

S African strike fears push battered rand to new low

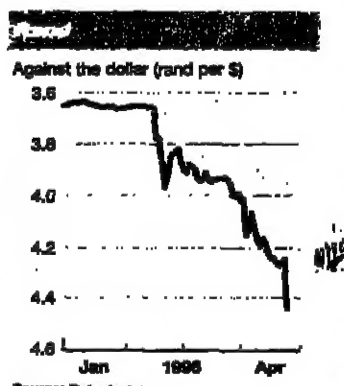
By Roger Matthews in Johannesburg and Philip Gawith in London

The South African rand took another battering on foreign exchanges markets yesterday after concerns about strikes, foreign exchange restrictions and the new finance minister.

Dealers said the fall to a new low of R4.45 to the dollar in London, from R4.26 on Wednesday, was in part triggered by the call for a one-day national strike next week by the Congress of South African Trade Unions (Cosatu). There was also disappointment after Mr Chris Stals, governor of the Reserve Bank, South Africa's central bank, said it would be a mistake to relax exchange controls in the present situation.

Traders in London said sentiment had been further soured by the unconvincing performance of Mr Trevor Manuel, the new finance minister, during a series of overseas meetings. Investors are concerned that Mr Manuel, the first politician appointed to the post previously occupied by non-aligned bankers, will prove less able than his predecessors to contain public spending.

The rand has fallen 18 per cent since mid-February. The previous 11 months had seen it trade steadily around R3.65 to the dollar. Most observers believe it is the victim of a selling frenzy.



Source: Datastream

Mr Graham Bell, head of equities at Standard Bank in London, said: "The economic fundamentals remain quite sound, but the market is running scared."

London analysts said the rand's most recent fall was attributable to selling by companies and investors with underlying business interests, rather than speculators. One large US bank was cited as a heavy seller.

Aside from renewed political uncertainty, the currency has also suffered from fears that there will be a large outflow of funds when the government relaxes exchange controls. But analysts speculate that, with the rand having fallen so far, the removal of controls may have little effect on the price.

Cosatu repeated yesterday that it was committed to the strike next Tuesday and would take further action if necessary. It is demanding that employers' right to lock out striking workers be removed from the draft constitution to be adopted on May 8. This would reverse the compromise reached by unions, employers and the government on the new labour relations bill.

Employers' organisations warned the strike would damage industry and investor confidence, and some companies urged a one-day lockout in retaliation.

Mr Stals said this week that he believed the rand would now stabilise and was probably somewhat undervalued. On Wednesday he emphasised that the main objective of monetary policy was to protect the value of the currency by keeping inflation low.

Speaking after the rand's sharp fall, Mr Stals said: "It is getting more difficult to remove exchange controls. We first have to get stability back into the market. Whatever we do on exchange controls must be done in an atmosphere of more stable conditions."

The Reserve Bank yesterday sold dollars to support the rand, citing its anxieties over the risk of higher inflation.

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Germany beats UK in turning the Euro into Ecus

By Caroline Southey in Brussels

Germany has already been awarded nearly a fifth of the Ecu19m ($23.5m) budget set aside for 1996 to promote the EU's single currency, the Euro, suggesting Germans are likely to be the best informed EU citizens when new notes and coins are introduced in 2002.

In stark contrast, British officials confirmed yesterday that none of the money would be spent in the UK as the government was "not intending, for the moment, to launch a Euro selling campaign".

Outlining a strategy aimed at boosting the Euro's image over the next two years, Mr Yves-Thibault de Silguy, EU commissioner for economic, monetary and financial affairs, said yesterday the Commission had agreed to give Bonn Ecu4m for a pro-Euro campaign. He said the Bonn government had also pledged to commit DM10m of its own to promote the currency.

The commissioner said: "We looked at what we could do, what was complementary, and then added up our sums." France and Austria were also working on projects which could lead to co-financing with the Commission.

A British official said there was "no need to stimulate a debate" about the single currency in the UK as it was such a topical issue. "The Commission has accepted that there will be no propaganda campaign, either by the government or by the Commission, for the time being," he said.

Mr de Silguy stressed that the Commission had no intention of excluding anybody from applying for the EU funds, or forcing anybody to take part in the campaign. "We want to avoid propaganda," he said.

Member states would be responsible for designing the campaigns to match local conditions. "We simply want to make information available," he said. Mr de Silguy added that the Commission had drawn lessons from Britain's campaign, launched four years ahead of decimalisation in 1971, to explain how the system worked.

"Explanations about the currency have to be adapted to local needs and expectations. We must make sure everything is decentralised so that information is as close as possible to citizens – in their local banks and shops," Mr de Silguy said.

The initial focus of the campaigns would be companies, the financial services sector and public administrations. "In the light of the experience of the these first initiatives, campaigns will be extended in 1997-1998 and the intensity of the programmes will be increased," he said.

A proportion of the funds will be used by the Commission to provide logistical back-up for the national campaigns. By the end of this year the Commission hopes to be able to provide: support and speakers for conferences, a newsletter, information packs, cartoon strips, educational CD-Roms and a mobile exhibition, including an "infobus" which could visit individual companies.

The commissioner said a database would also be set up with information and ideas which would be accessible through a freephone number via the internet.

Money would also be made available for opinion polls so that the attitudes of particular groups could be analysed and information targeted accordingly.

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Kohl's team hopes it has found the formula to end economic stalemate

Bonn goes beyond spending cuts

By Peter Norman in Bonn

There was a palpable sense of achievement when the senior politicians in Chancellor Helmut Kohl's coalition government yesterday completed negotiating the package of measures to revive the economy and reduce unemployment.

They had set out on the chancellor's return from holiday 11 days before to find solutions by the end of this month to a complex series of problems and succeeded well within their deadline.

The measures, which will be announced by Mr Kohl in the Bundestag this morning, cover far more than the large-scale spending cuts which have dominated media coverage of the negotiations. Welfare restructuring and tax changes are planned in the hope of improving the climate for investment.

A cut of DM50bn ($32.8bn) in public spending budgets is required next year to fill gaps in the finances of federal, state and local authorities. In addition, the programme prescribes savings by the pension and health insurance funds to push the welfare contributions – which are a growing burden on employers and employees – to below 40 per cent of total wage bills by 2000 from 40.8 per cent at present.

About two thirds of federal government savings will come from stopping transfers to the Federal Labour Office and from economies in spending departments. How the ministries will share the burden will be clearer in July when the cabinet approves the draft 1997 federal budget. It is already certain that the defence ministry will come under heavy pressure to cut outlays.

Most state and local authority savings are due to come from a pay freeze which has still to be negotiated. Personnel costs make up an average 39 per cent of state budgets against 11 per cent of the federal budget.

The DM12bn cuts in pension fund outlays will be achieved through 30 measures, including raising the retirement age for women to 63 from 60 next year, cutting pensions for ethnic German immigrants from the former Soviet Union, reducing to three from seven the years of state contributions paid into pension funds for students, cutting the duration of pension fund-financed health cures to three weeks from four and increasing the interval between cures to four years from three.

Health sector savings are intended to reduce contributions by about 0.5 percentage points from the present average of 13.4 per cent of total wages, shared by employers and employees. Measures include a 10 per cent cut in the long-term sick pay provided by insurers, a DM1 increase in prescription charges and a clampdown on the insurers' administration costs. The introduction of the second stage of residential care insurance for the elderly in July will reduce the use of hospital beds, saving some DM2.4bn.

Plans to limit sick pay form an important part of the package. The government will legislate to limit sick pay to 80 per cent of basic wages for the first six weeks of illness – currently employers have to provide full pay, including recent overtime and benefits. This should lower non-wage labour costs over time but will have only a gradual impact as sick pay is largely regulated in collective bargaining agreements.

A significant act of deregulation will be the raising to 10 from five the number of persons a company must employ before rules protecting workers against dismissal take effect. Germany's well-meaning legislation in this area has proved a job killer because many small companies decide to have no more than five employees, fearing they will not be able to dismiss them when business is bad.

On the tax front, the government has modified its plans for reducing the much-hated 7.5 per cent "solidarity surcharge" on income tax that is used to finance the development of eastern Germany. This will be cut by one percentage point at the start of 1997 and a further point the following year, instead of by two points next July.

Wealth tax will be abolished at the end of the year in line with a Constitutional Court ruling while inheritance tax will be revised so that people can be sure of inheriting the family home free of tax. The government will also push through long-promised changes to business taxes, including the abolition of the local trading capital tax which companies pay irrespective of whether they are making a profit.

The plan includes incentives for business start-ups and measures to ease access to risk capital. Looking ahead, the government is setting up a commission to prepare a thorough reform of Germany's complex and inequitable income tax system from 1999. Another commission will work out how to adapt Germany's "pay as you go" pension system to cope with problems posed by an ageing population in the years ahead.

Time for Kohl to go? Page 14

Looking for cuts: finance minister Theo Waigel yesterday Reuter

SPENDING CUTS IN 1997 (DMbn)

Federal budget	
Cuts in departmental budgets	7
Public sector pay freeze	3
Delayed children's allowances increase	3
Reduced transfers to Federal Labour Office	8
Reduced transfers to pension insurers	2
Reduced support for longer term unemployed	2
Total spending cuts	25
State and local authorities savings	
Public sector pay freeze	20
Delayed children's allowances	4
Other	1
Total state and local authority cuts	25
Social Fund savings	
Pension funds	12
Health insurance funds	7.5

Source: [illegible]

ECONOMY SENDS OUT CONFLICTING SIGNALS

The problems faced by Chancellor Helmut Kohl's government were exacerbated yesterday when it emerged that industrial production in February had fallen by 2.8 per cent compared with a month earlier, writes Michael Lindemann in Bonn.

This was a much sharper drop than the 1.6 per cent reported when the preliminary figures were released. While the downward revision was largely driven by poor results in the construction industry – where production fell 11.6 per cent – there was also a 2.1 per cent fall in industrial production. Analysts were surprised by the extent of the downward revision, saying it proved once again how unreliable were German statistics. New orders for February were also revised downwards in the final, seasonally adjusted February figures released yesterday by the Bundesbank. However, the fall was slighter, dropping to 1.2 per cent from a 1 per cent fall reported earlier.

Preliminary inflation figures for April, based on results from the four biggest west German states, showed the annualised inflation rate in April had dropped to 1.3 per cent from 1.4 per cent a month earlier. The monthly comparison with March showed a 0.2 per cent rise, driven by a 4.4 per cent rise in heating oil prices.

■ New vehicle registrations in Germany were up 3.3 per cent from a year earlier, *AP reports from Bonn*. The motor vehicle department said the rise in new registrations "exceeded the expectations of all industry watchers".

Progress in clearing up financial mess left by break-up of former Yugoslavia

Croatia nears debt deal with banks

By Kevin Done,
East Europe Correspondent

Leading western banks were close last night to reaching agreement with Croatia on its share of the $4.4bn of commercial bank debt of former Yugoslavia.

The prospect of a deal with Croatia has led to a significant rise in the price of former Yugoslavia debt in the secondary market in recent days.

The negotiations with Croatia follow the breakthrough agreement made by the London Club of nearly 400 creditors of former Yugoslavia with Slovenia last year.

It is understood that Croatia is prepared to accept at least 28.5 per cent of the debt, and recent negotiations centre on the terms for rescheduling as regards maturity and a possible grace period.

Slovenia is taking over 18 per cent of the total outstanding obligations of former Yugoslavia to the commercial banks, which total around $5.6bn including principal and interest.

The agreement with Slovenia, which is due to come into operation in mid-June, has come under heavy attack from rump Yugoslavia – Serbia and Montenegro – which launched an action in the High Court in London last month in an effort to stop Slovenia pursuing an independent deal.

The commercial banks have insisted that they will go ahead with implementation of the Slovenian agreement, as planned, however, despite the legal threats.

Backing for the individual deals came from the US Treasury, which says it "supports the efforts of successor states" of former Yugoslavia to reach negotiated arrangements with external creditor groups.

The deals with the London Club creditors are regarded as crucial for Slovenia's and Croatia's efforts to build an independent presence in the international capital markets.

Both are planning to launch maiden issues in the Eurobond market later this year and are seeking ratings for new debt from the leading international rating agencies.

Last night there were also signs of Belgrade relenting in its tough stance of recent weeks as rump Yugoslavia signalled that it might be ready to enter into negotiations itself with the banks.

Representatives of the National Bank of Yugoslavia and the Yugoslav Finance Ministry are to meet the international co-ordinating committee (ICC) of the banks chaired by Chemical Bank of the US in New York on Monday, according to one ICC member.

"We don't know what store to set on this meeting," said a member of the ICC last night, "but obviously we will discuss the legal action in London."

There has been mounting confusion surrounding Belgrade's approach to the debt negotiations and its efforts to re-enter the international financial community, and in particular to gain membership of the International Monetary Fund and the World Bank.

Earlier this month the conflict became public when Mr Dragoslav Avramovic, the central bank governor, blamed his own government for blocking rump Yugoslavia's membership of the IMF. At issue is whether rump Yugoslavia should be regarded as the sole successor to the former communist federation of six republics, as claimed in Belgrade.

This week Mr Avramovic has been forced to relinquish his leading role in the negotiations with the IMF. The Belgrade government said Mr Jovan Zebic, the finance minister, had been named special co-ordinator for negotiations to rejoin western financial institutions.

Ireland leaves a mixed message

John Murray Brown on official ambivalence over a phone monopoly privatisation

The crossed lines afflicting Ireland's efforts to liberalise its telecommunications sector have become even more entangled.

In recent weeks the government has moved to clamp down on private sector operators, in a clear pitch to counter flagging interest in the privatisation of Telecom Eireann, the state-owned telecommunications monopoly.

The particular concern is over the growing threat to TE's revenues from the use by private operators of "routers", smart boxes which provide small companies with a cheaper alternative to leasing lines from TE.

But there are bigger issues at stake in the planned sell-off. Next week, the tender enters its final phase when TE opens negotiations on the sale of a 35 per cent stake with two concerns – a joint venture between KPN, the publicly-quoted Dutch telecoms company, and Telia, the Swedish state company; and Tele Danmark.

The sell-off, which the government hopes to conclude by July, was at first expected to raise between I£500m ($790m) and I£600m. Officials at TE are still confident the equity disposal will realise a price "in the I£400m range".

However KPN-Telia's opening bid is believed to be around I£220m, while the cash-rich Danish company offered around I£300m. Tele Danmark's continuing participation is far from certain, however, as TE has said the company would have to come to the table with a partner.

A combination of union opposition and a market glutted with European telecom privatisations – many of them more attractive than the minority stake on offer in what is one of the European Union's smallest telecoms companies – has dampened international interest.

Industry observers say Ireland is in danger of generating less than half the proceeds at first envisaged. TE says the government has agreed that the first I£220m from the sale be used to restructure the company's balance sheet, and reduce its I£860m debt. In the present circumstances even this concession could be challenged by a government keen to use the proceeds for its own budget.

The outcome could be a big embarrassment for Mr Michael Lowry, the telecommunications minister, who more than anyone in the three-party coalition has championed the privatisation cause.

His officials point out that the project has frustrated three successive governments, and three of Mr Lowry's predecessors. The process started more than four years ago with invitations sent to 40 companies – 36 of whom responded, including British Telecommunications, AT&T and Cable and Wireless.

The company itself is said to have favoured the industrial logic of a link with British Telecommunications. According to one industry official, "BT saw a messy labour situation and a government which was reluctant to give a clear undertaking on its shareholding". TE believes BT already had its mind on its own separate negotiations with Cable and Wireless.

Cable and Wireless made an early bid, apparently offering I£500m, only to be blocked by the government, particularly the Labour faction in the coalition, who were responding to union concerns about C&W's reputation on issues of union recognition in other countries.

Under EU directives, voice telephony services are to be opened to competition by 1998. Ireland, together with Spain, Portugal and Greece, won a delay in the timetable from the Commission, in Ireland's case until 2000. Ireland has the third most advanced digital network in Europe. But the move was sought more for political reasons – to buy time to persuade the unions of the need for retrenchment.

However the delay has merely served to highlight the ambivalence of the Irish authorities towards the whole issue of privatisation, a word Irish government ministers still decline to use.

Any incoming partner will want the authorities to clarify the nature of competition, together with future intentions for the remaining 65 per cent stake. There is also a question over the company's pension liabilities, and how exactly they are to be funded, as the government is currently behind in its contributions to the tune of I£300m according to officials.

Two weeks ago, in a move to appeal to a prospective buyer, Dublin announced new rules curbing the use of routers. But the latest move has revealed the tensions between the need for competition in the market and the need to guarantee the future revenues of any incoming partner.

The latest controversy centres on whether routers are considered "voice telephony" or constitute a dedicated service, or "services for closed user groups" – an area of telecommunications already liberalised. A router directs international or long-distance traffic to an alternative carrier through the public switch network, but is recorded as a local call by TE, thus eating into the company's earnings.

Some bankers believe the government could face a legal challenge to its move on routers, if as seems likely the small concerns affected by the change complain to the Commission.

If that happens, it could further hamper the chances of a conclusion soon to the sale.

EUROPEAN NEWS DIGEST

Rise in French inflation rate

France experienced its biggest rise in monthly inflation for five years in March, but consumer spending on manufactured goods dipped for the second month running.

The national statistics bureau yesterday reported the monthly increase in consumer prices reached 0.6 per cent in March, taking annual inflation to 2.3 per cent.

It said three factors were principally responsible: a 5.9 per cent increase in the price of fresh products; higher energy prices; and an increase in the cost of summer clothing after last year's rise in sales tax.

Consumer spending dropped 1.2 per cent in March. The surge in consumer spending in January, as the country emerged from a wave of strikes, meant that French consumption of manufactured goods rose by 4.9 per cent in the first quarter. Yesterday's figures came as the Bank of France cut the five-to-10 day lending rate by 60 basis points to 4.90 per cent. *David Owen, Paris*

Spain prolongs political vacuum

Spain's agonising wait for a new government was extended yesterday when it became clear that an inaugural debate in congress to confirm Mr José María Aznar, leader of the centre-right Popular party, as prime minister could not be held before the end of the month.

This was in spite of the prospect of an agreement tomorrow with Catalan nationalists to provide the backing Mr Aznar needs to carry the vote. The Catalan group, Convergence and Unity, said yesterday the agreement would not be official until ratified by party committees at the weekend. The speaker in congress, Mr Federico Trillo, who belongs to the Popular party, called off plans to organise a debate for the beginning of next week. Both parties, however, indicated they did not expect any further obstacles to a pact.

■ The threat of legal action against Mr Felipe González, outgoing prime minister, over the "dirty war" against suspected Basque separatist guerrillas, receded yesterday when the judge investigating claims of top-level involvement was reported to have found no evidence linking Mr González to a 1983 kidnapping. A former interior minister, Mr José Barrionuevo, still faces charges. *David White, Madrid*

Çiller delays coalition decision

The former Turkish prime minister, Mrs Tansu Çiller, said yesterday that her True Path party had decided to postpone a decision on its future role in the ruling conservative coalition.

"The DYP will evaluate (the situation) once again in the coming days," Mrs Çiller told reporters after a six-hour meeting to discuss the Turkish parliament's decision on Wednesday to investigate corruption charges against her.

Mrs Çiller's party is reported to be considering splitting away from its coalition partner, the Motherland party, over its lack of support in the parliamentary vote on the corruption charges against her. *Reuter, Ankara*

Czech capital markets reformed

The Czech parliament yesterday approved reforms to the country's unruly capital markets, adopting measures to protect minority shareholders in privatised companies. The new measures oblige an investor acquiring between 10 and 66 per cent of a company to declare its interest to that company within five days. This information must be published within three days of notification. Any change of 5 percentage points in the size of the stake must also be reported.

An investor acquiring 50, 66 or 75 per cent of a company must offer to buy out minority shareholders. The offer, which does not have to be accepted, is to be valid for 60 days. A 95 per cent shareholding will trigger an offer to buy any outstanding shares. Companies will also be able to buy back up to 10 per cent of their own shares. The entire package comes into force in July. *Vincent Boland, Prague*

Survey: Czech Finance and Investment, separate section

Prague street paved with onions

A Czech agriculture ministry employee (above) collects some of the three tonnes of onions dumped in front of the ministry building in Prague yesterday by farmers angry at the import of cheaper and inferior-quality onions from the European Union.

Czech farmers have thrown away about 20,000 tonnes of high-quality onions this year because of the dumping on the market of EU onions, said Mr Josef Krizek, deputy parliamentary leader of the opposition Czech-Moravian Union.

While countries such as the Czech Republic badly want to join the EU, they complain of unfair trade practices such as the protection of domestic industries against imports from central Europe, and the sale of excess produce from the EU's highly subsidised farms. "We are just the EU's garbage can," said Mr Krizek.

Last year, about 35 per cent of all the onions consumed in the Czech Republic were imported from the EU, mainly from the Netherlands, said Mr Krizek. He added that imported onions are 25 per cent more expensive to buy than Czech onions are to produce. *Reuter, Prague*

Swiss finalise alpine rail project

Switzerland's government will ask its parliament in June to approve a massive rail and tunnel project through the Alps aimed at easing trans-European traffic and costing SFr30bn ($24.27bn).

The main feature of the project are two tunnels, known as the New Alpine Rail Axis, totalling 80km, to be drilled through granite under the Gotthard and Loetschberg massifs at a cost of SFr15bn.

Under yesterday's proposal approved by the cabinet, no more than 25 per cent of the project price will come from new federal borrowing on capital markets. The remainder will be paid for from a mix of increased duties and taxes on fuel, lorry fees and some budgeted government funds. *Reuter, Berne*

Fewer Norwegians unemployed

Unemployment in Norway fell in April to 4.2 per cent of the workforce from 4.3 per cent the month before, as the oil-boosted economy continued to grow faster than its neighbouring Nordic countries, where jobless figures are much higher.

Even including the 2 per cent of workers in government-backed training schemes, total unemployment in Norway stands at little more than half the level of Sweden. The flow of oil and gas from the North Sea is the critical factor buoying the economy. *Hugh Carnegy, Stockholm*

● Finland's unemployment rate fell last month to 17.1 per cent, down from 17.3 per cent in February.

● Sweden registered a trade surplus of SKr12bn ($1.79bn) in March, the Swedish central bureau of statistics (SCB) announced yesterday.

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NEWS: EUROPE

Bankers to lean on Russian candidates

By John Thornhill in Moscow

Some of Russia's most powerful bankers are planning an attempt to persuade the leading candidates in the presidential elections to develop a joint political programme and are threatening to withhold financial support from candidates who refuse to enter such a dialogue.

Several of Russia's leading financiers, who also control many media groups, are believed to have held a secret meeting with newspaper and television editors on Tuesday to discuss tactics.

They fear a decisive win by either Mr Gennady Zyuganov, the Communist candidate, or President Boris Yeltsin could spark serious social unrest, even threatening civil war.

Opinion polls show many voters strongly oppose both leading candidates – who seem likely to make it through the first ballot on June 16.

Some of the leading movers behind the banks' proposals are understood to include Mr Boris Berezovsky, head of the Logovaz trading empire, Mr Vladimir Gusinsky, head of the Most banking and media group, and Mr Mikhail Potanin, president of Oneximbank, who have been antagonistic towards one another.

Several other banks, such as Stolichnyi, Menatep and Apha-Bank, which have been among the most conspicuous beneficiaries of Russia's privatisation programme, are also involved, according to Russian newspaper reports. Other executives in the oil and gas industries have expressed support.

It is not yet clear whether the banks' plans will develop into concrete proposals. Nor is it certain whether they will attempt to press for change behind the scenes or go public with their demands.

Any open pressure on the candidates could backfire and lead to accusations that the banks are simply trying to defend their own interests. Both the Communist party and the government have floated plans to take some semi-privatised companies back under state control.

Mr Yeltsin has, with some success, been trying to depict his Communist opponents as extremists who will destroy the reform process and he would appear temperamentally averse to any compromise.

"If they [the Communists] win, civil war would start in Russia," Mr Yeltsin told the leadership of the Chinese Communist party in Beijing yesterday. "This would be an end to reforms, this cannot be allowed."

Mr Zyuganov has been trying to present a more moderate front and yesterday agreed to speak to 60 foreign investors at a conference in Moscow arranged by CS First Boston, the international investment bank.

Earlier, Mr Vladimir Kossov, deputy economics minister, conceded that political uncertainty in Russia was scaring away foreign investment.

Europe and US lay plans for more flexible military alliance

Paris-Washington compromise over independent missions

Defence chiefs from the US and its Nato partners have succeeded, after more than two years of tortuous discussions, in hammering out the details of a new model for military co-operation. The breakthrough appears to bring a step closer to fulfilment the French vision of a Europe which remains allied to the US but can organise military missions on its own if necessary.

But as Nato officials were pointing out yesterday, the credibility of French demands for a robust "European pillar" in the alliance may yet depend on another round of diplomacy: the inter-governmental conference on European Union reform.

Meeting in Brussels this week, western armed forces chiefs settled the terms on which wholly or mainly European missions could borrow transport and electronics from Nato – or in practical terms, from the US.

The deal, which Nato foreign ministers will endorse in Berlin in June, was made possible by a delicate Franco-US compromise, struck behind the scenes about two months ago.

Disagreements between Paris and Washington have been the main reason for delays in fulfilling the pledge made by President Bill Clinton and other western leaders in January 1994 to develop a new form of US-European co-operation known as combined, joint task forces (CJTF).

Such forces would be assembled for missions in which the US did not want to participate directly but which needed indirect US equipment and logistical support. One might be required for Bosnia next year, if the US sticks by its plan to withdraw its ground forces.

Under the compromise, the US has agreed to France's wish that CJTFs might sometimes be run from non-Nato commands, such as the Strasbourg headquarters of the Eurocorps, a mainly Franco-German structure. The suitability of these commands would have to be certified by Nato, and if necessary Nato would help upgrade them.

France, in keeping with its announcement last December of a partial return to Nato's military wing, has also made a series of concessions. It has accepted that CJTFs would require political approval from the North Atlantic Council – an institution grouping Nato's 16 members, in which Washington always speaks with the loudest voice.

Paris has also come round to the US view that Nato, having lent equipment for a CJTF, would have the right to take it back before the mission was completed – but only in the event of a grave security crisis.

Nato officials say the compromise marks an important step in adapting the alliance to a post-Cold War Europe, in which the US reduces its military presence.

But many more steps are needed: for financial reasons, the number of Nato commands must be reduced, and will presumably have to be spread over more countries as the alliance expands. This will be a painful process: existing members are protective of the commands on their soil, and prospective new members – Poland, the Czech Republic and Hungary – may be even more so.

But this command structure reform is precisely where France, long resentful of US hegemony in Nato, sees its opportunity. French officials would like to see all-European commands, and perhaps European commanders who combined their Nato functions with some form of subordination to EU institutions.

For example, the post of supreme commander of allied forces in Europe – Saceur, in Nato jargon – has always been filled by a US general. In the French vision, Saceur might be flanked by a European deputy who could sometimes act independently.

But Nato officials believe the US will look sceptically as French proposals for the "Europeanisation" of Nato unless Europe acquires some coherent policy- and decision-making structures as a result of the IGC.

The US, which has been engaged since December in a dialogue with the EU over issues ranging from non-proliferation to trans-national crime, has often complained at the lack of clearly identifiable interlocutors. US officials find themselves dealing either with an EU presidency which rotates every six months, or with a Commission whose authority to speak on key questions of external policy, other than trade, is still limited.

But the experience of Bosnia, where peace proved impossible to negotiate or enforce without US help, has made many EU members more wary about the idea of a separate security and defence identity for Europe. So the French, having half-persuaded the Americans to alter the terms of the transatlantic partnership, may still have some way to go in convincing their fellow Europeans.

Bruce Clark

A worker paints a fence around a Chernobyl nuclear reactor this week Reuter

Worst effects of Chernobyl 'still to come'

The worst health consequences of the Chernobyl accident, 10 years ago today, may still lie ahead, according to President Boris Yeltsin's environmental adviser, Bruce Clark writes from Brussels. Professor Alexei Yablokov, in Brussels as guest of the the Bellona Foundation, an environmental pressure group, said he feared that "we are on the eve of a huge development in the rate of cancer" as a result of Chernobyl – cancers caused by the bombs dropped on Hiroshima and Nagasaki had only started rising sharply a decade later.

Already, the annual incidence of thyroid cancer among children in Russia, Ukraine and Belarus had risen to more than 700 from under 30 before 1986, he said.

Italian premier must decide on mini-budget

By Robert Graham in Rome

The need for a mini-budget before the summer has been confirmed by the long-delayed release of Italy's quarterly public accounts.

The figures show an extra L9,600bn ($6.2bn) will have to be found in new fiscal measures or spending cuts to hold the 1996 budget to its targeted deficit – L109,400bn, equivalent to 5.9 per cent of GDP.

The caretaker government headed by Mr Lamberto Dini now has to decide whether to ease the path of the new administration by pushing through a budgetary package.

Mr Dini's Italian Renewal party fought the elections under the umbrella of the victorious centre-left Olive Tree alliance. He will thus be closely co-ordinating budgetary policy with the incoming administration, which is unlikely to be ready before mid-May.

But Mr Romano Prodi, the leader of the Olive Tree and almost certainly the next premier, this week ducked the question of the mini-budget. It was up to Mr Dini if he wished to carry out a quick package of measures.

According to the treasury's figures, continued high interest rates have added L4,200bn to the service costs of the country's huge debt. A further L3,200bn has to be found to offset lower receipts resulting from a bigger slowdown in the economy than expected. The treasury also has had to factor in some L2,000bn needed to recapitalise the huge losses of the publicly owned Banco di Napoli.

Normally, the government is obliged to have ready by May 15 its annualised three-year macro-economic programme, which forms the basis of the next year's budget. If the Dini government passes the responsibility of a mini-budget onto its successor, this timetable will slip. Spending cuts are easiest in welfare, an area where the Olive Tree has to tread carefully with its electorate. Any fiscal measures must avoid damaging growth or inflation – to which last year's mini-budget introduced by Mr Dini added almost one percentage point.

Mr Antonio Fazio, governor of the Bank of Italy, repeated this week that the discount rate would not be cut until inflation was firmly under control.

But commercial rates as well as those for treasury bills have been falling in anticipation of such a move. The rate for 12 month treasury bills is close to the 8.5 per cent envisaged in the budget because of the prospect of greater political stability and pursuance of sound economic policies.

Given the weight of debt service on the budget deficit, the speed and extent to which Italian interest rates are brought closer to the EU norm are vital. Both the outgoing government and the Prodi team are convinced that international confidence in Italy's stability will help create a virtuous circle which in turn will reduce the debt burden through lower interest rates – hence the need for measures that bring blood and tears.

The new government economic team is likely to retain the traditional three portfolios: treasury, budget and finance. The main candidate for the treasury is the former Christian Democrat economist and minister Mr Beniamino Andreatta, who has been the economic spokesman for the Popular party.

As budget minister the name consistently mentioned is Mr Carlo Azeglio Ciampi, the ex-premier and former governor of the Bank of Italy. Mr Ciampi did not stand for parliament but his presence is being canvassed as a neutral figure with international credibility.

Mr Augosto Fantozzi, the current finance minister, has strong credentials to retain the job, which he handled well. But the Party of the Democratic Left (PDS), the dominant partner in the Olive Tree, will press hard for Mr Vincenzo Visco, its chief economic spokesman, to get the job.

Rise in French inflation rate

About-turn by Paraguay's president comes as thousands of protesters threaten to clash

Wasmosy reverses pledge to strongman

By David Pilling in Asunción

Paraguay's President Juan Carlos Wasmosy, bowing to huge popular and political pressure, yesterday reversed his promise to name military strongman General Lino Oviedo as defence minister.

Colonel Carlos Alberto Ovando, armed forces spokesman, distanced himself from the rebellious general, who had until Wednesday refused a presidential order to resign his command, saying: "What he does now is his own private problem... He no longer has any connection with the armed forces." Gen Rafael Noguera, Paraguay's military chief of staff, had late on Wednesday night said the armed forces would accept the decisions of Mr Wasmosy, the country's first democratically elected president in 50 years.

Gen Oviedo's stand-off with Mr Wasmosy had appeared to end when they embraced at a parade. The general relinquished his army command after being promised the defence ministry.

Mr Wasmosy overturned that decision amid great tension and confusion as thousands of demonstrators – both supporters and opponents of Gen Oviedo – threatened to clash while they marched towards the presidential palace. Heavily armed police kept them apart.

Supporters of the general, decked out in the bright red of the ruling Colorado party, stormed the palace when they heard their military hero was inside. Referring to the general's desire to become president in 1998, Mrs Ilda Brum de Halaburda, a supporter, pushed past a policeman's riot shield to say: "I want a valiant leader, a patriot who loves his country and who can bring order and maintain discipline. In Paraguay we confuse democracy with a free-for-all."

Opposition supporters, shouting slogans against both Gen Oviedo and Mr Wasmosy, moved against police lines as the red tide swept towards the palace. They were beaten back with truncheons.

"We are against the two of them," said Mrs Marta Perez de Doldan, a hospital volunteer. "Both Oviedo and Wasmosy should get out and take their corrupt government with them. Ours is only a limited democracy."

Mr Wasmosy, after 24 hours of silence, arrived by helicopter at the presidential palace in an effort to quell coup rumours and damp down pressure for his impeachment. "I have decided to break my personal commitment, whatever the consequences for myself," he said.

Gen Oviedo, who had arrived at the presidential palace for what was to have been his ministerial swearing in, reacted to Mr Wasmosy's change of mind by saying he would explain his next move at a rally of supporters later in the afternoon.

"I have no commitment to the national government," he said. "I consider myself a soldier for democracy."

Orange County's bankruptcy was 'not justified'

By Christopher Parkes in Los Angeles

The Orange County bankruptcy petition, filed in December 1994, was not financially justified, a Nobel economics laureate claimed yesterday.

The county, which is still racked by the economic and political shockwaves generated in the largest municipal financial collapse on record, had more than enough funds and revenues to cover its obligations, according to Mr Merton Miller.

Mr Miller, professor of finance at Chicago University, is an acknowledged if controversial expert on derivatives – the financial instruments most used in the southern Californian authority's investment pool.

His report, delivered yesterday, was commissioned by Merrill Lynch, the New York-based investment house and former key adviser to the Orange County treasury, which is being sued by Orange County for $2bn in a malpractice suit.

Mr Miller's findings support allegations from Merrill and other sources that the county's board of supervisors acted over-hastily in sacking Mr Robert Citron, county treasurer, after the disclosure that the value of the investment pool had fallen $1.5bn.

The supervisors, who had a long history of direct intervention in the county's political and administrative affairs despite their strictly defined role as overseers, immediately filed for bankruptcy, thus realising a paper loss.

This paper deficit, according to Mr Miller's research, would have been more than reinstated had nerves remained cool.

"Our analysis shows that if bankruptcy had not been declared, the value of the Orange County investment pool portfolio would have increased by about $1.8bn between December 1 1994 and March 29 1996," Mr Miller said.

This exceeded the losses sustained in liquidating the pool, he added.

Even at the time of the collapse monthly interest earnings on county investments exceeded the cost of funds by about $32m, he claimed.

"By filing bankruptcy petitions and liquidating [the pool] Orange County officials changed the fund's investment strategy," Mr Miller's study concluded.

Members of the Vietnamese community in California march on the Capitol in Sacramento in support of South-East Asia Genocide Remembrance Week. The event was attended by many who served as prisoners of war in the Vietnam conflict *Associated Press*

Teamsters 'victory' in plant dispute

By Robert Taylor, Employment Editor

The US Teamsters union claimed a victory last night when Huhtamaki Oy, the Finnish-owned food conglomerate, agreed to suspend its plan to close its confectionery plant in Centralia, Illinois, and move production to non-union facilities 100 miles away.

An independent inquiry is to be held into the decision and it will report by the end of summer.

Union officials, along with local clergymen, employers and community leaders from the town met Mr Timo Peltola, the company's chief executive, in Helsinki yesterday and he agreed to their demand for the inquiry.

"This dispute shows trade unions need to project disputes over plant closures as human rights issues and not just labour-management problems," Mr Ron Carver, the Teamsters strategic campaigns director, said yesterday. The plant, employing 400 workers, is the second largest employer in Centralia and the union claimed its closure would have had a devastating impact.

The union mobilised a wide coalition in Illinois involving politicians, the clergy, community associations and other pressure groups.

The Teamsters were also helped in their campaign by the Finnish food workers' union and the Geneva-based Food Workers International. The union had an open letter to Mr Peltola published in the leading Finnish newspaper Helsingin Sanomat as an advertisement calling on him to intervene and rethink the decision to close the plant.

The company was told if it did not agree to an independent inquiry a nationwide consumer boycott would be organised in the US against its PayDay candy bar. The Teamsters are involved in a number of other corporate campaigns against international companies.

AMERICAN NEWS DIGEST

Sales of US homes buoyant

Sales of US existing homes shot up in March to the briskest rate in more than two years as buyers rushed to take advantage of relatively low interest rates, the National Association of Realtors said yesterday.

Sales jumped 6.9 per cent from February to a seasonally adjusted annual rate of 4.21m units – the highest rate since 4.35m in December 1993, according to the real estate group.

March sales were 16 per cent higher than the rate a year earlier, when used homes were selling at a rate of 3.63m a year. The March figure was well above Wall Street economists' expectations of a 3.94m rate. Every region in the country reported higher sales.

Mr John Tuccillo, chief economist for the realtors' group, said the robust March sales pace reflected lower rates earlier this year and was unlikely to be sustained into the summer. *Reuter, Washington*

Kennedy ring fetches $2.6m

The big spenders came out again for Jacqueline Kennedy Onassis's worldly goods at Sotheby's in New York on Wednesday night, pushing the midway total of the four-day sale to $20.8m.

The biggest price of the night – in what has turned into the celebrity auction of the century – was fetched for the biggest diamond ring the former First Lady owned, a 40-carat gem mounted in platinum that, according to one account, was given to her by Aristotle Onassis the night he proposed marriage. The ring fetched $2.6m.

An unidentified European museum paid $1.4m for the 18th-century desk which President John Kennedy used to sign the 1963 nuclear test ban treaty outlawing all nuclear tests. *Reuter, New York*

Land reform ministry for Brazil

Brazil's President Fernando Henrique Cardoso has created an "extraordinary" ministry for land reform following allegations that his government was moving too slowly on the issue.

Criticism of a government programme to allocate settlements to landless rural workers has strengthened since police killed at least 19 demonstrators in the northern state of Pará last week. Mr Cardoso defended the government's record, claiming to have found land for more than 42,000 families since January 1995. Landless workers' representatives say the true figure is 12,000 families. The new minister is Mr Raul Jungman, formerly president of a government environment agency, Ibama. *Jonathan Wheatley, São Paulo*

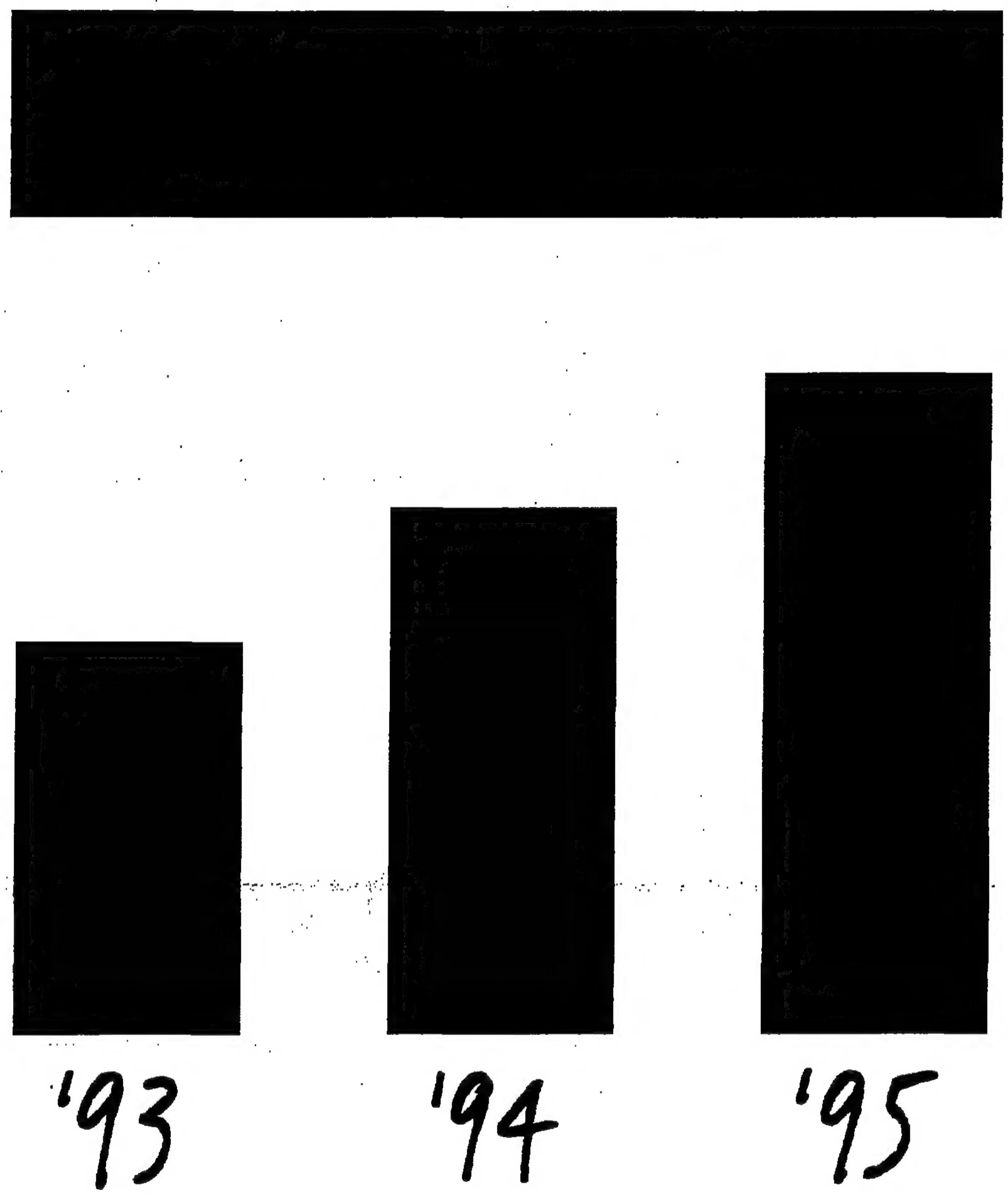
Mexican truckers set to strike

Mexico's road haulage operators are threatening to strike from April 29 unless the government agrees to lower diesel tariffs and aids the indebted transport sector.

The stoppage would have a devastating impact on Mexico's export sector and cause considerable disruption to the internal distribution of goods. A similar strike by Chilean road haulage operators in 1973 helped bring down the government of the late president Salvador Allende.

The Confederation of Mexican Transport Operators (Conatram), which is threatening the indefinite strike, groups about half the country's cargo operators, most of whom are small entrepreneurs who own their own trucks. More than 80 per cent of Mexico's $50bn-worth of exports to the US are carried overland, as is a similar percentage of the country's internal trade. *Leslie Crawford, Mexico City*

So who insures the insurers?



Will this mean a change of logo?

On 25 April, our letter to shareholders presented the preliminary results for the previous business year.

They are quite a turnup for the book. But since we made the strategic scission and concentrated on our core business, a lot has changed at Swiss Re.

On the inside: our mindset is different; there are new people, a new organization; and we've brought in a single class of share.

And on the outside: we've built up lead positions in key markets. Our financial reserves are stronger than ever. And we're investing more than ever – in America, in Asia; in new business segments and new partners; and above all in our human resources the world over.

The results of this strategy almost read like a poem (in Swiss francs and percentage points):

1993 – 1994 – 1995.

549	*709*	*1,088* [1]
41.–	*50.–*	*74.–* [2]
7.4	*8.7*	*12.7* [3]
10.50	*15.–*	*22.50* [4]

([1] ordinary result after tax in millions; [2] per share; [3] % Return on Equity; [4] dividend – if the shareholders' meeting approves)

If you'd rather have this quatrain in prose, we'd be pleased to send you the letter to our shareholders (even if you aren't one yet): fax +41 1 285 40 98 in Zurich.

Swiss Re

NEWS: INTERNATIONAL

Israeli Labour party drops Golan demand

By Julian Ozanne in Jerusalem and David Gardner in Beirut

Israel yesterday made an important political gesture towards Syria, as US attempts to secure a ceasefire on the Israeli-Lebanese border remained mired in what US secretary of state Warren Christopher called "important differences" between Israel and Syria and Lebanon.

The ruling Israeli Labour party of Mr Shimon Peres, the prime minister, yesterday dropped from its election manifesto a clause which stated that retaining the Golan Heights – captured from Syria in the 1967 Arab-Israeli war – was an absolute strategic need for the Jewish state.

Syria, which as the military overlord in Lebanon is the focus of Mr Christopher's six days of shuttle diplomacy between Jerusalem and Damascus, has insisted that Israel state it willingness to withdraw from the Golan as a condition of peace.

Revising Labour's platform for the May 29 election falls short of that demand. But the gesture is unmistakeable, and could open the way to new Israeli peace talks with Syria, and with Lebanon over the "security zone" Israel occupies in south Lebanon, the root cause of the current fighting.

There were fears of an escalation in that fighting yesterday as Israel continued heavy bombardments and shelling of south Lebanon, and its warships continued to pound the coastal highway linking the south to the capital Beirut. Hizbollah, the pro-Iranian militia which Damascus has used as a proxy in its struggle to get the peace terms it wants from Israel, kept up its salvoes of Katyusha rockets into northern Israel.

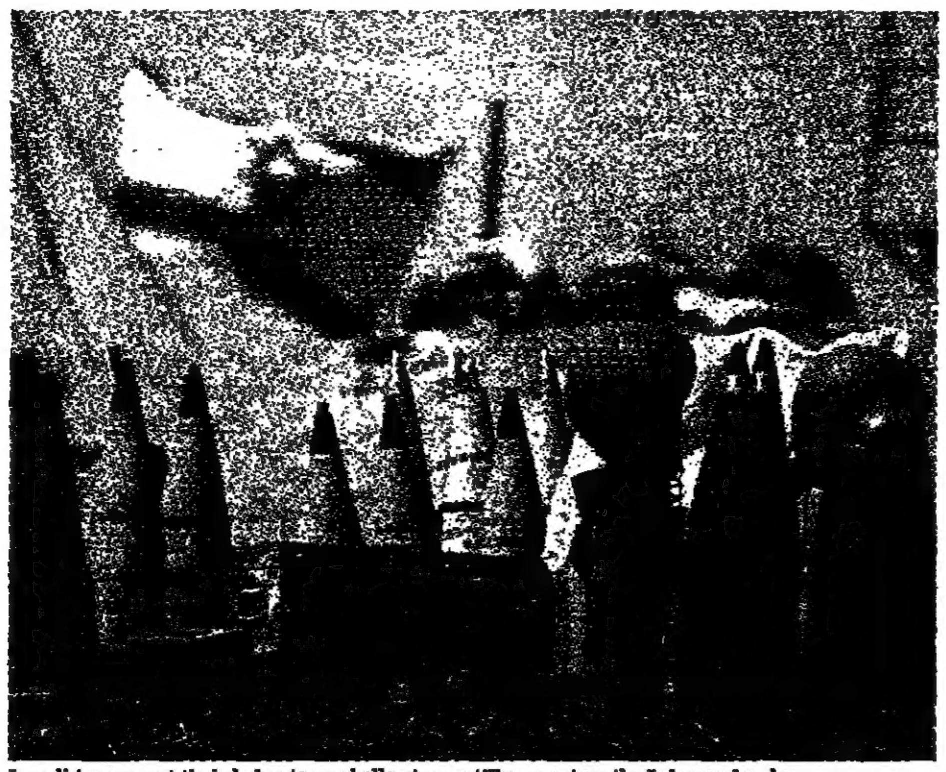
Sheikh Naim Qassem, a senior Hizbollah leader, said US ceasefire plans – which attempt not only to end the firing on civilians but to shackle the Shia Moslem guerrillas' ability to attack Israeli forces inside the occupied "security zone" – are "completely rejected by us".

"We haven't heard of any American plan; it is an Israeli plan," the Hizbollah leader said. "They want to end the resistance in south Lebanon so that the Israelis can be in a comfortable position."

As Mr Christopher left Jerusalem for a new round of talks yesterday evening with Syrian President Hafez al-Assad in Damascus, Mr Peres underlined that "the remaining issues are very serious." Mr Peres desperately needs to be able to show Israeli electors next month that the internationally criticised onslaught on south Lebanon will curb Hizbollah.

Syria and Lebanon, however, along with Iran, Hizbollah's ideological mentor, back French suggestions that ceasefire arrangements simply tighten up 1993 undertakings arranged by the US proscribing the targeting of civilians, and at the same time raise the issue of the Israeli occupation.

"On the issue of firing at civilians on both sides of the border, we're in agreement," Mr Peres said yesterday. "I think in a day or two we'll know where we stand."



Israeli troops rest their helmets on shells at an artillery post on the Lebanon border AP

Unctad strives to prove its doubters wrong

By Frances Williams in Geneva

The United Nations Conference on Trade and Development, which only a year ago seemed destined for oblivion, opens its ninth quadrennial ministerial conference in South Africa tomorrow on a note of optimism.

The official theme of the conference, which runs until May 11, is how to promote growth and development in a globalising and liberalising world economy, with emphasis on the "excluded 2bn" of the world's population at risk of being left behind. Some 3,000 ministers and officials from Unctad's 188 members are expected to attend.

But for Mr Rubens Ricupero, Unctad's new secretary-general, the conference has another crucial function. He has dubbed it a "Renaissance conference", in expectation that it will endorse his strategy for reform designed to dispel criticism from western countries that the organisation is a costly irrelevance.

In a flurry of proposals last year for reform of the UN to coincide with its 50th anniversary, Unctad – created in 1964 as the main UN forum for development issues – was singled out as a candidate for abolition.

Critics said its work duplicated that of the new World Trade Organisation and other bodies, and a damning UN audit described it as overstaffed, top-heavy and poorly co-ordinated.

Mr Ricupero, a respected former Brazilian finance minister and trade envoy, was brought in last September with a personal mandate from Mr Boutros Boutros Ghali, UN secretary general, to give Unctad a new lease of life.

Since then he has moved to tighten the body's focus on trade and development, strengthen links with the private sector and increase emphasis on practical help for developing countries in areas of trade, investment, transport, debt and commodities.

Last week Mr Ricupero announced a sweeping shake-up, reducing the number of divisions from nine to four with a corresponding cut in the number of senior staff. This is on top of cuts of about 10 per cent in its 420-strong staff which Unctad, along with other UN bodies, is making in response to the UN's budget crisis.

In his restructuring efforts, Mr Ricupero has benefited from WTO governments' refusal to give the world trade body sufficient resources for research and policy analysis or to allow non-governmental entities a role in their deliberations. That has allowed Unctad to sell itself as an essential complement to the WTO, providing the intellectual groundwork and consensus-building needed for WTO negotiations and the technical expertise required to help developing countries take advantage of trading opportunities.

The two organisations are already working on some joint programmes involving help for poorer nations, especially in Africa. Unctad has also carved out a niche for itself in technical assistance based on computerised information systems, specially designed for developing country needs.

Reversing Unctad's previous suspicion of multinationals, Mr Ricupero is reaching out to the private sector. To underline this, two private sector events are being organised in parallel with the Unctad conference, one on trade efficiency for South African business and the other for international companies interested in trade and investment in Africa.

Unita drags its feet into peace camps

End to the Angola war is slow and unsure, writes Michela Wrong

Gazing across the rows of empty green tents at N'tuco, one of the new quartering sites in northern Angola meant to host rebel Unita fighters, a UN official acknowledged things were running behind schedule. "But then, everything in Angola takes three times longer than it is meant to. Why should the peace process be any different?"

Seventeen months after government and Unita representatives met in Lusaka to sign an agreement intended to spell the definitive end to two decades of civil war, Angola's peace process inches forward agonisingly.

The quartering of Unita troops, regarded as a barometer of the guerrilla movement's good faith, was meant to be completed by May last year. So far, fewer than 23,000 guerrillas have come forward and only four of 16 planned quartering camps are fully operational.

Four new sites remain deserted, a fact that prompted the government to announce this week that it was suspending participation in regular meetings with Unita until serious quartering began again.

In public, UN officials talk of starting to merge Unita and government forces in June and setting up a government of national unity by July. Privately, they admit the timetable is unrealistic and promises that restless guerrillas will spend no more than five months in camp are likely to prove empty.

At the core of the delays is mutual distrust, diluting the momentum generated by a ground-breaking summit in Gabon last month where President Jose Eduardo dos Santos and Unita leader Jonas Savimbi worked out details of the merger of their two armies.

Such suspicion is hardly surprising in a country whose first peace agreement was torpedoed in 1992 by Unita's refusal to accept Mr dos Santos's electoral victory. "The disappointment was so enormous last time, no one wants to be caught out again," said one diplomat.

While their representatives bicker over peace terms, both sides, diplomats say, are busy re-arming in case the process collapses again.

In the provincial town of Bailundo Mr Savimbi continues to ponder whether to accept the vice-presidency offered him by the government. As long as he wavers, Unita's commitment to peace must remain in doubt.

Some analysts say he is experiencing a genuine bout of "buyer's regret", suddenly aware that the time for talking is past and he must soon make the tricky move from a guerrilla leader who once controlled half the country to the head of a legitimate political opposition movement.

Others believe the prevarication is merely a game of brinkmanship, an attempt to elicit as many concessions as possible while he is still in a position to make demands.

Either way, the approach has won Unita some impressive gains: recently it was announced that 18 of the movement's 40 generals would be integrated into the merged army. The original offer was six. Unita is also to be given four ministries: commerce, health, tourism and – important in this mineral-rich country – mining.

Even more important, the two sides are quietly negotiating an arrangement that would allow Unita to retain its stake in the Lundas, whose diamonds have funded the movement since it returned to the bush. Under the deal, companies set up by Unita would be granted concessions to mine the area legally.

> The UN is feeling impatient over the $1m a day it is spending on what is now its biggest operation

Progress may seem slow and painful to the UN, chafing over the $1m a day spent on what is now its biggest operation.

But the peace process, insiders believe, is bound to continue because, deprived of the backing of the US and the old white government of South Africa, Unita lost the war and now faces a bleak future as a marginalised guerrilla movement if it decides to pick up the gun again.

"The Lusaka agreement was not an armistice between two equal parties," says a diplomat. "It was a case of Unita cutting the best deal they could. The only way Unita can come to power in Angola now is via the political route. They know that better than anyone."

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Tokyo releases currency reserves to aid neighbours

By William Dawkins in Tokyo

Japan yesterday agreed to make available some of its \$200bn (£133bn) foreign exchange reserves, the world's largest, to the monetary authorities of seven regional countries to help them fight exchange rate instability.

Under the accord, foreshadowed by Japanese finance ministry officials at a meeting with Asian-Pacific finance ministers last month, the Bank of Japan will lend foreign reserves to other central banks against collateral in the form of US Treasury bonds.

The repurchase or "repo arrangement", which took effect from yesterday, includes Australia, Hong Kong, Indonesia, Malaysia, the Philippines, Singapore and Thailand.

The accord makes little difference to central banks' ability to influence exchange rates, beyond enabling countries faced with the risk of currency depreciation to co-operate more smoothly with neighbours.

"This tightens the Bank of Japan's links with other Asian central banks if they want to co-ordinate against a fall in the dollar. The announcement's effect would be stronger than if the BoJ were acting on its own," explained Mr Brian Pearce, chief economist at SBC Warburg Securities in Tokyo.

It marks the Japanese central bank's eagerness to increase its role in east Asia and offer itself to other central banks as a lender of last resort alongside the US Federal Reserve. In response, the dollar rose in Tokyo from Y105.5 to Y107, then eased slightly to Y106.8.

Yesterday's arrangement enlarges a "repo" pact made in November between Australia, Hong Kong, Indonesia, Malaysia and Thailand. That came in response to the speculative attacks on some of the region's dollar-linked currencies the previous spring.

Manila politicians set stage for poll

By Edward Luce in Manila

Leading Philippine senators yesterday moved to unseat the main opposition leader in Congress in what appeared to be an early move with an eye to the 1998 presidential elections.

With exactly two years before President Fidel Ramos, 68, formally relinquishes office, at least four leading politicians, including Mr Joseph Estrada, vice-president, have informally entered the race for the top post.

The presidential hopes of the opposition leader, Mr Edgardo Angara, appeared to narrow yesterday as leading members of the Laban (Liberal Democrat) party, formerly in partnership with the ruling party but in opposition since January, moved to replace him with a more electable candidate for 1998. "The campaign for 1998 is now seriously under way," said Mr Noel Reyes, the chief researcher at Anscor Securities in Manila. "This does not bode well for the passage of the reforms still awaiting enactment, including the new tax system which must be passed this year. Next year will be too late."

Government officials say President Ramos has abandoned any plans to amend the constitution to allow him to run for a second six-year term or switch to a parliamentary system allowing him to become prime minister.

Instead, Mr Ramos – who, a majority of private-sector officials say, would be their main preference to continue beyond 1998 – is looking carefully at which potential successor to endorse.

Moscow and Beijing resolve to form 'strategic partnership'

Yeltsin backs ties with China

By Tony Walker in Beijing

China and Russia warned the west yesterday against seeking domination of a post-Cold War world and resolved to form a "strategic partnership" that would span security and economic ties into the 21st century.

"Hegemonism, power politics and repeated imposition of pressures on other countries have continued to occur," said a joint communiqué signed by presidents Boris Yeltsin of Russia and Jiang Zemin of China.

The two sides agreed to measures aimed at strengthening security co-operation, including extending military co-ordination, but western officials in Beijing played down the possibility of a new Sino-Russian axis against the west.

"In the end both have a much greater interest in establishing closer ties to the west rather than developing their own alliance which would not bring benefits in the form of capital and advanced technology," said a western official.

But both sides used Mr Yeltsin's three-day visit to China to restate their opposition to western interference over such issues as Taiwan and ethnic troubles in the former Soviet Union. Beijing expressed its support for Russian efforts to pacify Chechnya and in return Moscow backed Chinese policy on Taiwan and Tibet.

In their reference to a "strategic partnership", Russia and China agreed to forge closer ties based on "equality, mutual confidence and mutual co-ordination towards the 21st century".

The two countries signed 14 agreements, including the joint communiqué, which foreshadowed further extension of a relationship that has gradually warmed in the past decade.

Other agreements covered establishment of a hotline linking respective leaders, the peaceful use of nuclear power, co-operation in developing energy resources and co-ordination in the fight against organised crime.

The two countries also agreed to discuss further troop reductions along their 4,300km common frontier, scene of armed clashes after relations chilled in the early 1960s in a bitter ideological schism.

Mr Yelstin and Mr Jiang, who toasted their communiqué with champagne, were effusive in the praise of closer ties. "I can't name a single question on which we would have different opinions," said Mr Yelstin.

"Sino-Russian friendly relations have entered a new age," said Mr Jiang.

But in spite of talk of closer collaboration, Sino-Russian economic relations continue to be sparse and prospects of a flourishing economic partnership are relatively limited. Two-way trade last year of \$5.5bn was only a fraction of China's trade with North America, Japan and Europe.

Russian investment in China is negligible and Russian equipment suppliers face difficulties in a highly competitive market. But Russia remains China's main foreign supplier of military equipment, and proposed joint development of energy deposits in the Russian Far East holds possibilities of a significant upgrading of the economic partnership.

■ China is to set up 10 large-scale pharmaceutical enterprise groups and increase spending on drug research by 20 per cent per year by 2010, Reuter reports from Beijing.

The plans are part of a blueprint to make China's pharmaceutical industry a world player, Mr Zheng Xiaoyu, director of the State Pharmaceutical Administration, told the China Daily yesterday.

MAIN CHINA-RUSSIA AGREEMENTS

- Establishment of 'hot line' linking Chinese and Russian leaders for direct communications.
- Agreement on peaceful use of nuclear energy. Russia and China are negotiating the construction of a \$4bn twin 1,000MW nuclear power station in north-east China.
- Co-operation in the joint exploitation of energy resources. The two sides are exploring the possibility of developing vast natural gas deposits in eastern Siberia.
- Co-ordination in respective space programmes.
- Accord on protecting intellectual property rights.
- Co-operation in combating organised crime.
- Co-ordination in environmental protection along the two countries' 4,300km common frontier.

Chan aims to defuse HK tension

By John Ridding in Hong Kong

Mrs Anson Chan, the head of Hong Kong's civil service, will today hold talks in Beijing aimed at defusing contentious issues about the territory's handover to China next year.

The visit comes amid increased strains between the Hong Kong government and Beijing over the transition, fuelled by a clash on China's plans to dissolve the territory's elected legislature.

Mrs Chan, who is due to meet Mr Lu Ping, the head of the Hong Kong and Macao Affairs office and China's top official on Hong Kong affairs, said she would address several issues relating to the handover.

These will include the need to maintain morale in the 180,000-strong civil service and co-operation between the Hong Kong government and the Preparatory Committee, the Beijing body which is overseeing the handover.

Co-operation with the chief executive designate, who is due to be nominated during the autumn and who will be the top government official in Hong Kong after the handover, will also be on the agenda.

Hong Kong's chief secretary is also due to respond to a list of ten demands submitted by Beijing concerning the handover. She is expected to agree in principle to the demands, with the exception of the request that the Hong Kong government provide premises for the provisional legislature, the body which is due to replace the existing Legislative Council.

However, some issues, such as China's demand that the Preparatory Committee get airtime on RTHK, the government-owned broadcaster, will require further assessment. RTHK and other Hong Kong media groups have reacted with concern to the demand.

Mr Chau Tak-hay, government secretary for recreation and culture, yesterday stressed that the editorial independence of RTHK would not be compromised.

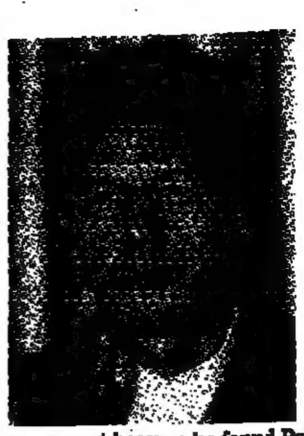
Despite scope for solutions on most of the issues included in Beijing's demands, the dispute over the provisional legislature remains a serious obstacle to a smooth transition. Beijing insists that the current body must be replaced since there was no agreement between the two sides on its formation, despite 17 rounds of negotiations.

Britain and Hong Kong's governor, Mr Chris Patten, have firmly condemned China's plans to dissolve the existing Legco, which was elected last year. Mr Patten yesterday rejected claims he was softening his stance on the issue. He said his position, and that of Britain, had "not changed by a single centimetre."

Mrs Chan, who has also expressed her opposition to a provisional legislature, is strongly backed in Hong Kong for a top position after the handover. Her stance on the legislature, which drew criticism from China, raised questions earlier this month about her ability to continue in senior office after July 1997. However, her trip to Beijing suggests China remains keen for her to play a prominent role in the administration.

ASIA-PACIFIC NEWS DIGEST

Imran Khan launches party



Pakistan's former cricket hero Imran Khan (left) yesterday launched a political party to fight the corruption and injustice he says are rampant in the country. He said he would turn his Tehreek-e-Insaaf (Justice Movement) into a political party. There has been intense speculation that he would launch himself into politics following his increasingly public dissatisfaction with the quality of governance in Pakistan. A critic of Prime Minister Benazir Bhutto, he said he was launching the movement because he found Pakistan "on the brink of disaster. We are dissatisfied with politicians and the political system and are announcing this movement to bring a change. Today marks the beginning of the battle against corruption and injustice."

For now, he said he planned to set up committees to advise on improvement in areas including justice and legal affairs, human rights, governance, health, education, economy, youth, employment, women's affairs and the environment.

Imran Khan, 43, who retired from cricket after leading Pakistan to victory in the 1992 World Cup, built a cancer hospital in Lahore. However a bomb blast on April 14, wrecked the out-patient department, killing six people. He claimed the blast was aimed at frightening him into giving up his social welfare aims. The bombers have not been found.

He went on to accuse government leaders of living in luxury while most Pakistanis suffered under the burden of rising prices and taxes. "We will fight for justice so the best talent surfaces and puts an end to nepotism and this sycophantic culture," he declared. *Reuter, Lahore*

Cost of Japan nuclear plant rises

The cost of Japan's first private nuclear fuel reprocessing plant will reach Y1,880bn (\$17.7bn), more than double the initial estimate, Japan Nuclear Fuel Limited said yesterday. The initial estimate drawn up in 1988 was Y840bn.

The new total included increased costs for personnel, interest, and direct construction costs, a company spokesman said. Costs surged because of inflation, plans for additional facilities and stricter earthquake-proofing standards, the spokesman said. *Reuter, Tokyo*

Thailand deficit leaps

Thailand's current account deficit in February jumped to nearly double the January figure, according to revised central bank figures published yesterday.

The deficit in February was Bt30.9bn (\$1.22bn), compared with Bt14.7bn in January.

Ms Nitaya Pibulratanagit, the central bank's deputy research head, said the combined deficit for the first two months of the year at Bt45.6bn was still significantly less than the Bt104.8bn deficit for the last quarter of 1995.

She added that a slight decline in manufacturing growth and investment showed that the economy was moving away from last year's overheating. *William Barnes, Bangkok*

India's election juggernaut starts rolling tomorrow

No party seems set for a mandate to rule, writes Mark Nicholson

With the first of seven polling days to decide the make-up of its parliament, an electorate of 590m, more than 500 constituencies, and 800,000 voting stations supervised by 5m civil servants and 1.5m police, India's general election starts tomorrow. It is, says Mr Pran Chopra of the Centre for Policy Studies, "probably the largest single act of human organisation".

Results will emerge only after May 8 when the biggest states have voted and counting begins. Only then, analysts believe, will the decisive politics of this election also commence: the politics of coalition-building.

This campaign has been subdued, throwing up neither dominant national issues nor strong political "waves"; candidates say voters seem preoccupied with local matters such as power and water supplies, jobs or food prices.

Opinion polls may be an uncertain guide to the final judgment of so vast an electorate, but they suggest voters will not deliver any single party a governing mandate.

India's next government looks likely to be stitched together after the vote by political leaders, rather than determined at the polls. "No one party will have a major advantage over any other," says Mr V P Singh, former Janata Dal prime minister who led India's last, short-lived coalition government until 1991. "All sorts of bargaining and lobbying will go on in May."

Pre-election polls all show no one party or grouping is likely to muster the 272 seats needed to govern alone. Some trends look clear, notably the erosion of support for Congress, India's governing party for all but a few post-independence years. Polls suggest its 36.5 per cent of the vote in 1991 could slip to 32-30 per cent, an historic low which might return just 135-170 Congress MPs. It closed the last parliament with 259.

Congress may also cease to be India's biggest party; recent surveys indicate its mantle could be assumed by the right-wing, Hindu nationalist Bharatiya Janata party (BJP). A Times of India poll of 26,700 voters yesterday suggested the BJP could win 180-190 seats with its Hindu nationalist ally the Maharashtra-based Shiv Sena, more than 60 up on 1991.

India's so-called "third force", a loose alliance of the "social justice" Janata Dal party, India's two communist parties and some fellow-travellers, looks set to win perhaps 130-140 seats. Low-caste and regional parties, along with disaffected ex-Congress factions, seem poised to double their 1991 tallies to return an overall 60-70 MPs.

How these parties will align come May is a matter of considerable conjecture. But it seems clear much rests on exactly how many seats Congress and the BJP win.

Should the BJP emerge as the biggest party, India's president is likely to invite its leader, Mr A B Vajpayee, to try to form a government, which some argue will confer on the party an advantage. "It will be like winning the toss in cricket," says Mr Kumar Ketkar, editor of the Maharashtra Times, who argues this advantage may solicit immediate support from some regional parties. "Out of insecurity, they might wish to join the batting side," he says.

Mr Vajpayee said yesterday that if the BJP fell short of a majority, "we have already had indications from some regional parties that they would extend their support".

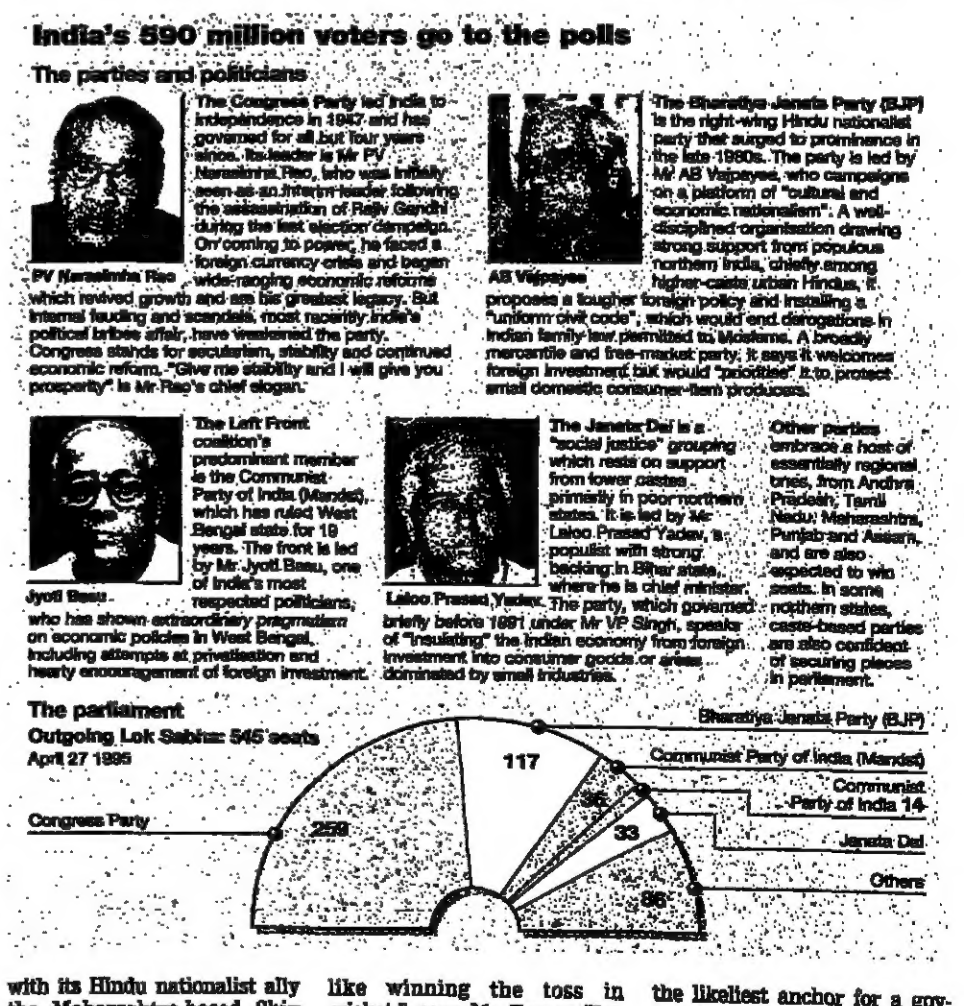
The support of small regional groups alone would still be unlikely to secure a governing BJP majority. The party's assertive Hindu nationalism is widely seen as making it politically "untouchable" for secular leftist, low-caste and "social justice" parties.

Even with a reduced tally of seats, many commentators still believe Mr P V Narasimha Rao's Congress party would be the likeliest anchor for a governing coalition. The view is based partly on Mr Rao's pragmatic and chameleon politics and proven acuity as a political dealmaker. "Rao's strategy would be to try to stop the BJP from governing by appealing to the secular parties; presenting himself as the only available option," says Mr Singh.

Should Congress fail badly Mr Rao would not only have less authority to lead a coalition, he might be pressed to quit as Congress leader.

Come the May machinations, India's smaller parties could thus have disproportionate influence over the country's next government. Commentators think that any resulting coalition could prove brittle, prone to political and personality conflicts between the leaders of its component parties and, quite possibly, short-lived.

Editorial Comment, Page 15



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NEWS: WORLD TRADE

WORLD TRADE NEWS DIGEST

Japan vehicle exports shrink

Japan's vehicle exports last fiscal year shrank to their lowest level in 20 years, as the strong yen forced Japanese makers to move more output overseas. Japan's vehicle exports in fiscal year ending March 1996 fell 16.7 per cent from the previous year to 3.62m, the fourth straight year of decline, the Japan Automobile Manufacturers Association said yesterday.

The 1995/96 export figure was just under the 3.82m vehicles exported in 1976/77, but above the 2.99m in 1975/76. "The fall in 1995/96 was bigger than expected. The strong yen in and after April last year forced Japanese makers to reduce exports, particularly to the US," Jama said.

Japan's carmakers plan more output at their overseas units this year. Toyota's overseas vehicle production in calendar 1996 will rise 9 per cent from a year earlier to 1.37m; Honda's will rise 13 per cent to 996,000 this year; Mazda, one-third owned by Ford of the US, said overseas output would rise 1.2 per cent to 170,000 vehicles this year. *Reuter, Tokyo*

Asia optimistic over Hong Kong

Optimism about Hong Kong's economic prospects after the handover to China next year is revealed in a survey of exporters in other parts of the Asia-Pacific region. Over half believe economic conditions in the territory will improve or remain unchanged. Confidence was strong among exporters in Indonesia, Malaysia, Singapore and Vietnam.

Most exporters were bullish about their own business prospects. Only in Singapore did fewer than half the respondents expect their overseas sales in the next year to be excellent. Most exporters expected their strongest growth to be in the Association of South-East Asian Nations. The only exception was Thailand, where markets in the US and Europe were considered much more promising.

The survey, by Gallup for DHL Worldwide Express, found exporters in India, Indonesia and Vietnam foresaw strong growth in Europe this year. China, India and Vietnam were rated the hardest markets to penetrate; Singapore was considered easiest. Most expected the role and importance of US business in Asia to grow. *Guy de Jonquières, Singapore*

India-Thailand aircraft pact

Indonesia and Thailand have signed an accord under which Thailand will buy two Indonesian-built CN-235 aircraft worth $34m in exchange for Indonesia buying 110,000 tonnes of rice. Thailand has already bought five NC-212 aircraft, which are assembled at the Industri Pesawat Terbang Nusantara factory in central Java under licence from Spain's Casa. Mr Jusuf Habibie, Indonesia's technology minister, has been seeking markets for IPTN's aircraft, particularly the showcase N-250, a wholly-Indonesian 70-seater. Last year, Mr Habibie warned IPTN faced losses because the finance ministry had not made export credits available. *Manuela Saragosa, Jakarta*

Pulp plant planned for France

Kvaerner, the Norwegian engineering and shipbuilding group, and Philipp Holzmann of Germany, are joining forces to build a $145m plant to make fully bleached pulp from recycled paper at Château Thierry, France.

The factory is to be operated by La Compagnie Greenfield of France. Kvaerner will supply process plant worth $80m; Philip Holzmann, with Nord-France, its French subsidiary, will carry out construction. Cegelec Aeg of Germany will supply electronic control equipment. The plant is due to start up by March 1998. *Andrew Taylor, Construction Correspondent*

Pepsi's $550m drive to 'turn Russia blue'

By John Thornhill in Moscow

Pepsi-Cola is spearheading a $550m investment drive to turn Russia "blue", at a time when many of its pro-communist voters appear to be rediscovering a taste for red.

The US soft drinks company, which has just launched a *radical global promotion and* has recoloured its cans blue, yesterday brought all its marketing hooplah to Moscow after earlier stops in the UK and Thailand.

Russia is one of the few markets *where Pepsi has* enjoyed an edge over arch-rival Coca-Cola ever since 1959 when Nikita Khrushchev, the then Soviet premier, was photographed drinking Pepsi at an American trade *exhibition in Moscow.*

In an attempt to consolidate its position, Pepsi-Cola announced it would invest $170m in four plants and related infrastructure in central Russia while General Bottlers, one of Pepsi's biggest US producers, will invest $80m in one plant to serve the *western regions of the former* Soviet Union.

A joint venture between Pepsi (25 per cent) and Leucadia, a New York-based investment company. (75 per cent) will invest a further *$300m in six plants in the* eastern Russian market. Pepsi-Cola claimed this investment, to be completed over the next five years, would rank among the biggest foreign direct investments in Russia, reinforcing its leadership of the cola market.

Coca-Cola is already committed to investing similar sums in Russia and has been rapidly gaining market share. Both companies are now *estimated to have* a 15 per cent share of the soft drinks market, estimated at $1bn last year.

Among other marketing gimmicks, Pepsi's Moscow launch included a live link-up to the orbiting Mir space station where two cosmonauts endorsed Pepsi cola. "We have 100 *per cent of the astronaut* market," said Mr David Jones, president of Pepsi's central and eastern European division.

Some rivals questioned the wisdom of such a high-profile launch less than two months *before the presidential* elections in which a highly-nationalist Communist party is expected to do well.

Mr Gennady Zyuganov, the Communist party leader and presidential candidate, has constantly railed against foreign companies' insensitive advertising campaigns which make Russians feel strangers in their own homes.

Last year, Coca-Cola caused a storm of protest after *opening a factory* in St Petersburg and hanging red corporate flags in Uprising Square, a sacred site for many of the city's die-hard communists.

Out in the deep blue yonder: Russian cosmonauts are drafted into Pepsi's promotion AP

India puts in offer to telecom talks

By Frances Williams in Geneva

India yesterday presented an offer to the World Trade Organisation *talks* on liberalising world telecommunications markets, in a move seen as reinforcing momentum for a deal by Tuesday's deadline.

India's offer was described as "minimal" by trading partners, but trade diplomats said it did at least provide a basis for negotiation in coming days.

However, Mr Jeffrey Lang, deputy US trade representative, said in Singapore yesterday that much work remained to be done by all countries to *achieve agreement in the talks.* "There is a lot to be done. We have been through these kinds of situations before, and there's no question that we've got tough negotiators for all the countries involved," he said. Mr Lang said the current EU offer needed to be improved, citing limits on marketaccess and access to investment in some EU states. Bargaining between the 50-plus countries involved in the talks is expected to continue *through the weekend and into* Monday as the US and other western nations try to squeeze the maximum possible concessions from each other and developing nations ahead of the deadline. Negotiators have said the deadline is unlikely to be extended.

The EU has reinforced the sense of brinkmanship by calling a meeting of trade ministers in Geneva on Monday afternoon to decide whether to relax remaining foreign ownership restrictions in France, Belgium, Spain and Portugal.

However, EU negotiators have already given trading partners private indications that some improvement can be expected and, meeting in Bologna yesterday, EU telecommunications ministers agreed to show "a certain flexibility" in the talks.

Colombia and Ivory Coast also put in offers yesterday, bringing the total to 33 (the 15-nation European Union counting as one) covering over nine-tenths of global telecom revenues of over $500bn a year.

Though yesterday was officially the last day for offers, trade diplomats said Iceland and Cyprus were expected to table proposals ahead of a stocktaking meeting today of the WTO's telecoms negotiating group.

US cool on idea for new world trade round

By Guy de Jonquières, Business Editor, in Singapore

The US yesterday poured cold water on the idea that the World Trade Organisation should consider launching a new round of comprehensive trade negotiations, and said *the group should focus mainly* on work already in progress.

The US statement, delivered by Mr Jeffrey Lang, US deputy trade representative, appeared intended to rebuff a call by Sir Leon Brittan, EU trade commissioner, for WTO ministers *to commit themselves this year* to preparing for the start of a new round of trade talks before the end of the century.

Sir Leon argues that such a commitment would give the WTO a "clear strategic vision".

However, Mr Lang told a conference in Singapore: "A new round, even if initiated today, could postpone rather than accelerate market opening. There is more than enough work to be done right now in ensuring completion of the Uruguay Round negotiating and implementing agenda and ensuring the regime is properly managed."

He said it would be a mistake to ignore the in-built agenda in favour of some process of laying the groundwork for another big round or, as some have suggested, to argue for a broad vision of the future.

The world needed such a vision, but it was best provided by such institutions as the Organisation for Economic *Co-operation and Development,* or by regional trade groupings.

"The WTO has a culture which is fundamentally different from other international organisations. Its method of decision-making is consensual, and its subject matter is practical and concrete, not visionary. The WTO is about the bottom line," Mr Lang said.

He said the WTO's biennial ministerial meetings, the first of which will be held in Singapore in December, should act like a board of company directors, reviewing progress and setting medium-term objectives for the future.

He reiterated demands from Washington that the next ministerial meeting deal with corporate bribery and trade and labour standards – issues which many other WTO members believe the organisation should not try to handle.

Trafalgar loses big Thai steel contract

By William Barnes in Bangkok

Trafalgar House, the UK construction and steel group, has lost a prestige $800m contract to build Thailand's first integrated steel plant to the German group Mannesmann Demag.

The president of Thai Special Steel Industry Mr Anurat Kongtoranin yesterday said: "We were squeezed by the price – and Mannesmann jumped in." *He said Davy* International, a Trafalgar House subsidiary, offered a price of $650m in the initial documents, but this was raised to $720m just before the preliminary agreement was signed, and raised again to $800m a month later.

"I wouldn't blame Davy International – they fought very hard. They created good competition which got us a very good price," Mr Anurat said.

Mannesmann, which had been pursuing the contract months before Davy approached TSSI late last year, offered a hot metal capacity of at least 3.4m tonnes compared with Davy's capacity of 2.7m tonnes.

Mr Anurat said the UK company appeared to have difficulty sticking to its early estimates because subcontractors would not lower their prices *sufficiently*.

"Basically Mannesmann could take care of everything from the blast furnace to the steel mill," he said.

"Davy could supply the blast furnace but had to go elsewhere for the steel *making* equipment."

The project, with a total cost of $1.1bn, will begin operations in 1988.

Thai Petrochemical Industry – TSSI's parent – is shaping up to become one of the most formidable chemical and petrochemical companies in the region.

The toughness of the Leo*phairatana family* which holds the most senior executive positions in the group caused no surprise in Bangkok.

Japan, Indonesia to meet over Jakarta's car policy

By Michiyo Nakamoto in Tokyo

Japan's trade authorities will *meet their counterparts* from Indonesia today and tomorrow to discuss Jakarta's car production policy.

The Indonesian government has come under mounting criticism over its national car project, which its main trading partners say discriminates against *foreign* car makers.

"Both sides will explain their positions and exchange opin*ions," Mr Tomio Tsutusmi,* vice-minister of Japan's Ministry of International Trade and Industry, said yesterday.

The Japanese government had earlier expressed its concern that the project did not conform to international trade rules. Japanese car makers, which dominate the south-east Asian market including Indonesia, are worried the policy will affect their regional strategy.

The bilateral talks follow a *warning to the Indonesian gov*ernment by Sir Leon Brittan, European Union trade commissioner, that the national car project contravened World Trade Organisation accords.

Sir Leon criticised the Indonesian policy as an "objectionable" move which could "drive away future investment".

That danger was underlined yesterday when a senior Ford *Motor executive in Bangkok* said the company was reviewing plans to build a plant in Indonesia due to the government's latest policy.

Ford said it was concerned its complete knock-down facility would be at a disadvantage to domestic cars. "If those policies stay, we'll have to modify our plans in Indonesia," Mr David Snyder, president of Ford's Thailand Regional Office, was quoted as saying. *The Indonesian plan for a* national car, announced late in February, calls for preferential tax treatment for vehicle makers meeting local content and other requirements.

Specifically, vehicle makers that have 100 per cent local capital and meet local content rules would be exempt from import duties on components and from a luxury sales tax. *The requirements are thought* to breach the WTO's trade-related investment measures agreement.

The only company meeting the requirements is PT Timor Putra Nasional, controlled by President Suharto's *youngest* son, which has a technical tie-up with Kia Motors of South Korea.

Critics of sanctions say the US is shooting itself in the foot

Nancy Dunne and **Afshin Molavi** on 'emotional reactions'

American Express, the US credit card company, has fired a shot against companies which do business in Cuba, even *before* congressionally-sponsored sanctions against them are implemented by the US government.

Two Dutch commodities trading companies, Cures Metal Processing and Niref, have received letters from American Express cancelling their corporate credit cards. This, the letters said, was *because the companies'* names surfaced on the US Treasury's "Specially Designated Nationals" list, a roster of companies with which American companies have been prohibited from doing business.

The two companies have been on the list since 1989, *according to* the US Treasury. American Express, which in the letter thanked them for "many years of co-operation", said it had just been discovered that the companies were on the list, which was introduced *in the 1960s.*

A bill similar to the latest Cuba legislation, imposing sanctions on companies doing business with the oil sectors of Libya and Iran, is expected to pass into law soon.

Such moves have angered international companies and US trading partners. And there is more to come, prompting critics to say that the Republi*cans who dominate* the US Congress, instead of getting off the backs of business, as they promised voters, are getting increasingly entangled in the business of business, both at home and abroad.

Legislation is also moving through Congress which would *prohibit* new investment in Burma until the military junta transfer powers to a popularly elected government. And President Bill Clinton is considering the imposition of sanctions on Pakistan for allegedly acquiring *nuclear technology* from China and on China for providing it.

"In this Congress there is a certain scepticism about the efficacy of government power generally," said Mr Ted Carpenter of the conservative *Cato* Institute. Although most analysts long ago concluded that unilateral sanctions were ineffective, the proliferation of sanctions was "an emotional reaction" to abuses committed *by repressive governments.*

"This is unfortunately a policy that re-occurs whenever there is a highly publicised incident of repression in the world, *as in Cuba's* shooting down of unarmed aircraft and Iran's continued *support of terrorists,"* Mr Carpenter said.

In addition to hurting US allies, a series of trade sanctions on foreign countries have rebounded on US business. A recent ban on US Export-Import Bank *financing of* sales to Colombia because of that country's poor drug enforcement record could cost US business up to $600m in lost sales, which Eximbank had been expected to approve.

US business leaders are particularly concerned about congressional pressure *for imposi*tion of new trade sanctions on China as a result of Beijing's sale of nuclear technology to Pakistan and Iran and its fail*ure to* abide by a bilateral pact on intellectual property rights. Indeed, former US President George Bush urged Senate Majority leader Mr Bob Dole last week to restrain his Republican colleagues from their perceived intentions to move against China.

Sanctions have already been imposed on China. These include the suspension of weapons' sales, denial of licences for dual use technology; and a ban on financing from the US Trade and Development Agency, an aid agency that helps business, and from the Overseas Private Investment Corporation, which provides insurance for US foreign investors.

"Sanctions are the bane of exporters existence," says Mr Howard Lewis of the National Association of *Manufacturers.* "Congress is tossing trade and US jobs out the window for sanctions that rarely achieve their aims.

"Every 10 years or so, we in the US go through this sanctions *phase,"* Mr Lewis said, "and shortly after this phase, we realise what a disaster we've caused. Every 10 years we have to re-learn the same lessons."

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Government finances plunged into turmoil

Financial Times Reporters

The government's finances were thrown into confusion last night after a surprise Court of Appeal ruling appeared to pave the way for retailers to reclaim billions of pounds of value added tax wrongly paid on interest-free finance deals.

The judgment threatened fresh embarrassment for the Treasury. Unless overruled by a higher court, it will knock another hole in the government's finances and reduce the chancellor's ability to deliver pre-election tax cuts in this autumn's Budget.

However, Whitehall officials played down suggestions by some VAT experts that the bill could reach £5bn ($7.55bn) saying such estimates were "wildly exaggerated". Customs and Excise said it would "vigorously contest" the judgment in the House of Lords. The Treasury said it would probably announce how much money was involved shortly.

The judgment, by a two to one majority, overturned earlier court rulings upholding Customs and Excise rules that retailers should account for VAT on the full price paid for goods by customers. It backed claims that VAT should only be paid on the amount retailers actually received from finance houses underwriting interest-free deals.

In effect, that means the undisclosed cost of interest-free credit deals should be exempt from VAT.

The case was brought by Primback, a subsidiary of Kingsway Furniture Group which will now be repaid £2.75m in VAT. If upheld in higher courts, many other retailers would be able to reclaim VAT paid on interest free credit deals dating back to 1973 when the tax was introduced. Customs said it would not pay any further refunds until the case has been heard in the Lords, which may not be for a year.

Mr Peter Jenkins, VAT partner at accountancy firm, Ernst & Young, said: "This is a massive loss for Customs." He pointed out that the ruling had been based on European law which reduced the chances of an appeal to the House of Lords succeeding.

Mr Ian Barlow, head of tax at KPMG, said the ruling could have wider implications "in situations where a supplier or retailer receives less for his goods that the face value".

Retailers hailed the ruling as a "just" victory, saying it could lead to lower prices for goods covered by interest free deals. Mr Allan Sayers, chief executive of the British Shops and Stores Association which represents 3,000 retailers, said: "From our members' point of view, this is very good news…Retailers have long felt it was an unwarranted decision by Customs and Excise which did not reflect the facts of the case."

Interest-free credit had become an important promotion tool over recent years for retailers selling big-ticket items such as furniture, kitchens and electrical goods.

Transport review gives priority to public networks

By Charles Batchelor, Transport Correspondent

The car will no longer dominate transport planning in the UK, the government said in a consultation paper published yesterday. In future greater priority will be given to public transport and to other environmentally friendly means of moving around such as cycling and walking.

The consultation paper, the first to review transport policy for 20 years, makes no commitments to increase spending on public transport but it outlines a range of measures intended to shift the balance away from the car and the lorry.

However, the government's failure to propose more far-reaching solutions to the problems of traffic growth earned it criticism from business groups, motoring organisations, environmentalists and the opposition parties alike.

The consultation paper is the culmination of an 18-month public debate of transport issues and also represents the government's response to the 1994 report by the royal commission on environmental pollution. It does not support the call for transport targets or for restraints on car use.

The paper's conclusions confirm a shift in government thinking which first became apparent when roads spending was slashed in last November's Budget. The Department of Transport cut one third off the £12bn ($18.1bn) roadbuilding programme over the next 12 years and axed 77 individual road schemes.

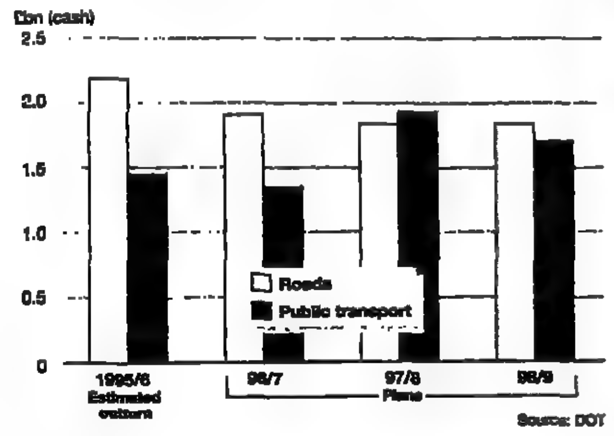
Specific measures proposed include:

- Considering public transport alternatives and the scope for better traffic management on existing roads in preference to road widening or new roads building. Local interests would be involved at an earlier stage in the decision-making process.
- Giving local authorities the leading role in devising integrated traffic plans for their areas. The government is willing to consider legislation to allow local authorities to introduce experimental schemes to charge motorists for using local roads, either through electronic tolls or by issuing permits. It is also prepared to discuss ideas for levying a tax on car parking spaces at business premises.
- Promoting increased bus use. Local authorities will be encouraged to introduce bus priority measures.
- Reducing the volumes of road freight by encouraging the use of rail and water-borne transport.

The report gives no hint about how these measures are to be financed though it does place emphasis on the private finance initiative and the privatisation of the railway network as contributing additional funds.

Transport: The Way Forward. HMSO. £15.70.

Government expenditure on transport



Seven more rail franchises offered

By Charles Batchelor

Seven more passenger rail franchises, including those covering the entire Scottish network and an 14km line on the Isle of Wight, were offered for sale yesterday by Mr Roger Salmon, the franchising director.

This brings the total of franchises sold or on offer to 20 out of a total of 25 and means that 80 per cent of the rail network in terms of passenger revenues has been privatised or is on the market.

The government was forced to abandon its original target of selling off more than half of the network by the end of this month but now appears set to complete most of the sales before the next general election, in May 1997, at the latest.

The franchises put on sale yesterday were CrossCountry, Great Eastern, Merseyrail, Thameslink, West Anglia Great Northern, ScotRail and Island Line. Prospective bidders have until May 24 to register an interest.

Bids are expected from many of the management teams and from some of the large companies which have won previous franchises including the bus groups Stagecoach and FirstBus, the National Express coach operator, Sea Containers and CGEA, the French transport company.

But, while the franchising programme is speeding up, a challenge from the Save our Railways group, which is opposed to privatisation, is due to come before the High Court today. Save our Railways is seeking leave for a judicial review of the franchising director's refusal to allow British Rail to compete for franchises.

Mr Salmon said he would not allow BR to bid for early franchises because it could cross-subsidise lines and put in unfairly low offers. It would also deter BR managers from attempting buy-outs. But Save our Railways said that if BR had been allowed to bid for the first six franchises it would have won four and reduced the subsidy required by £20m.($30.2m)

PowerGen may pull out of power stations sale

By Patrick Harverson and David Wighton

PowerGen may pull out of its £450m ($680m) deal to sell two power stations to Eastern Electricity in the wake of the government's decision on Wednesday to block the generator's takeover of a regional electricity company.

However, National Power, which also saw its attempt to buy a rec thwarted by Mr Ian Lang, the trade and industry secretary, said its separate £1.7bn deal to sell power stations to Eastern was still on.

Both National Power and PowerGen had been obliged to sell some of their generating capacity by Professor Stephen Littlechild, the industry regulator. He had warned them that he might refer the generators' large share of the UK market to the Monopolies and Mergers Commission if the disposals were not made.

But yesterday PowerGen revealed that a clause in its contract with Eastern allowed it to withdraw from the sale if its own plans to buy Midlands Electricity, the regional supplier, were blocked.

Eastern said the deal had been a requirement of the regulator and would enhance competition in the industry. Mr John Devaney, executive chairman, said the company saw no reason why the transaction should not go ahead as planned.

However, analysts said they believed PowerGen would probably withdraw from the deal. They noted that the sale was going to cost shareholders money because it would have reduced profits in the first year.

The doubts over the Eastern deals arose yesterday as confusion continued in the electricity industry and the City over the government's competition policy.

Mr Lang's decision on Wednesday to block the takeover of two recs, Southern Electricity and Midlands Electricity, because they would harm competition shocked industry observers. He had been expected to approve the bids.

Meanwhile, hints by the government on Wednesday that it could exercise its "golden share" to block a bid by foreign companies for a UK generator were widely dismissed as an empty threat at Westminster.

The hints were aimed specifically at Southern Company, the Atlanta-based utility which last week expressed an interest in acquiring National Power. In theory, the government can use its golden shares in a former nationalised company to prohibit anyone from holding more than 15 per cent, but it has rarely used the powers.

British Energy doubts grow

Prospects for raising $3.92bn from the company's privatisation may have been over-optimistic

By Patrick Harverson, in London

City estimates of the value of British Energy could be significantly overstated, according to projections for wholesale electricity prices in the Monopolies and Mergers Commission's report on the industry.

The nuclear power company is due to be floated on the stock market this summer. But analysts said that price forecasts in the commission's report made by the two generating companies National Power and PowerGen – which together set wholesale electricity prices – cast serious doubts over whether the government would be able to meet its target of raising about £2.6bn ($3.92bn) from British Energy's privatisation.

In the report, released on Tuesday by Mr Ian Lang, the UK trade and industry secretary, National Power and PowerGen predict that electricity "pool", or wholesale, prices will fall steadily over the next four years. National Power, the largest UK generator, forecasts that prices could fall from their present level of 2.4p per kilowatt hour to under 2p per kWh by 2000.

When Barclays de Zoete Wedd, the investment bank hired by the UK government to lead the flotation, placed a value of between £2.4bn and £2.8bn on British Energy earlier this year, it assumed that over the next four years pool prices would not fall below 2.4p per kWh.

One City analyst calculated yesterday that every decline in pool prices of 0.1p would reduce British Energy's value by £250m, and even BZW has accepted that a fall in the pool price to 2p would wipe £750m off the company's value. In its report on British Energy's valuation, the bank described a fall in the pool price as "the greatest threat to shareholder value."

Analysts said it was wrong to assume pool prices would not fall in the next few years. They said prices were likely to come under pressure from competition within the industry and low gas prices. One analyst said: "These forecasts raise question marks about selling a new issue with a central case of no fall in pool prices when both National Power and PowerGen are forecasting a fall in prices by 2000."

Although industry experts pointed out that National Power's warning that pool prices could fall to under 2p per kWh by 2000 was its "low-case scenario", they accepted prices could fall below current levels. "2p is a credible low-case scenario on the assumption there is competition in generation," said an industry consultant.

Mr Steve Thomas, senior fellow at the Science Policy Research Unit at the University of Sussex, agreed prices could fall as low as 2p per kWh, but said it was unlikely they would stay there for long. He also warned that it was in National Power's interest to make a pessimistic forecast of pool prices to convince the government that competition would affect its profitability.

However, he said investors had every right to be worried about the valuation of British Energy. "They have made bizarrely high estimates of how their nuclear plants are going to work and I can't see any justification for that."

A stockbroker's analyst agreed that the performance estimates looked too optimistic. "It's common sense that if you're selling something to assume some improvement in performance, but it's implausible to sell something at the absolute maximum performance possible."

Exchange delays trading change

By George Graham, Banking Correspondent

The London Stock Exchange agreed yesterday to delay issuing detailed plans for its proposed electronic trading system by a few weeks to allow more time to clear the new system's rules with regulators.

Although the plans will now not be issued for consultation until June, Exchange officials insisted yesterday that the final trading framework would still be ready by August, as originally planned.

Member companies told the exchange after a first round of consultation earlier this year that they would need at least nine months after the completion of the plans to make their own preparations.

That would mean the new method would not be likely to start up before May 1997, although Sequence 6, the electronic system to handle it, will be ready in August this year.

In the new system, orders will be entered on a central electronic order book, and automatically executed when buyers and sellers match. Currently market-makers quote prices on a central stock exchange screen, but deals are struck separately over the telephone, after negotiation.

Some exchange officials have been nervous that allowing a delay in the consultation process would be perceived as a concession to marketmakers, who were originally opposed to order-driven trading.

But the board agreed with a ten member steering committee, most of whose members represent marketmakers, that more time was needed for talks with the Treasury, the Securities and Investments Board and the Securities and Futures Authority.

Setback for police over Euro 96

By Jimmy Burns in London

DUTCH and German police have told their British counterparts that they will not provide lists of suspect troublemakers in the run up to Euro 96, the soccer championships which England will host in June, because this would be in breach of national data protection laws.

The move may undermine UK efforts to ensure a trouble-free championship in spite of the progress that has been made in a Europe-wide policing effort to prevent rioting.

UK police fears that violent Dutch and German fans may provide a focus of tension during the championship have been fuelled by Wednesday night's riot in Rotterdam during a "friendly" international between Holland and Germany. It emerged last night that the riot was seen by a team of UK police officers who had gone there as observers.

Intelligence reports within Europe suggest that in recent months there have been meetings involving extreme-right groups that might try infiltrate the championships.

In spite of differences on detail, European police and ministry of the interior officials meeting in London yesterday agreed to provide UK police with numerical information on travel and hotel bookings so that clusters of fans can be identified.

Ticket purchasers on the European mainland are also being warned about the banned use in UK stadiums of items popular on the Continent, including flares, fireworks and large banners.

According to UK police estimates, about 300,000 non-UK subjects plan to come to England for the biggest sports event staged in the country since the 1966 World Cup.

One of the largest groups of overseas visitors this summer is thought to be coming from Spain. However, Spanish police have told their UK counterparts that they do not foresee any trouble from their fans.

Weaker than expected growth data disappoints City

Consumer activity steadies

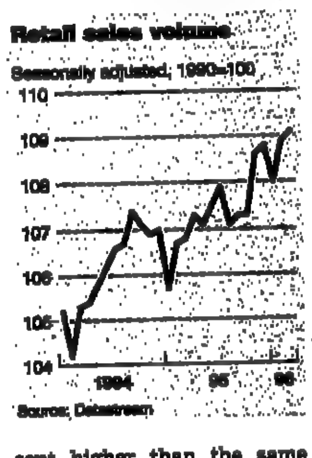
By Graham Bowley, Economics Staff

Expectations that Britain is poised to enjoy strong consumer-led growth this year received another boost yesterday after figures showed spending in town centres rose again last month although by less than the City of London analysts expected.

The figures provided a steadier picture of town centre activity than recent upbeat surveys suggested. But they still illustrated the widening gap between the consumer side of the economy, which appears to be gathering strength, and Britain's industrial sector, which seems to be stagnating.

Mr Kenneth Clarke, the chancellor of the exchequer, has predicted that strong consumer spending growth will provide the core of wider economic growth this year.

The Office for National Statistics said retail sales volumes grew by a seasonally adjusted 0.2 per cent between February and March and were 2.2 per cent higher than the same month a year earlier.



Sales in the three months to March – considered a better measure of the trend – were 2.1 per cent higher than the same period a year earlier, the biggest rise since February 1995. Mr Jonathan Loynes, UK economist at HSBC Markets, said: "This is further confirmation that consumers are returning to the high street, and we expect sales to accelerate in the months ahead."

The figures disappointed the City after recent consumer surveys suggested activity in town centres had been very buoyant last month. But the ONS revised upwards its February sales figure which meant the growth between February and March appeared smaller, while the ONS also adjusted for the busy Easter period.

Unadjusted data showed sales values in March were 7.1 per cent higher than the same month a year earlier, the biggest rise for five years and in line with the survey evidence.

Non-food retailers enjoyed the most robust growth in March, with sales of clothing, footwear and household goods rising strongly.

Economists said the weaker than expected sales figures, along with the worsening plight of British manufacturing, meant the government might still have scope to cut interest rates again to stimulate growth without risking inflation.

Strike looms over immigration row

By Robert Taylor, Employment Editor

Britain's immigration officers who belong to the PTC civil service union have voted to strike for 24 hours followed by a series of selective five-day stoppages in protest at new shift patterns requiring them to start work at 5am, it was announced yesterday.

This could lead to disruption at the country's ports and airports, although customs and excise staff are not involved in the dispute.

It is possible the planned nationwide one-day strike will take place over the May holiday weekend (25-27 May) but a union official said last night a decision would be taken on the action next week.

Around half of the 900 immigration officers who are PTC members took part in the secret ballot with 65 per cent backing the strike call.

However, half the country's immigration officers do not belong to the PTC but to the Immigration Services Union and they are not covered by the strike decision.

The PTC's officers have been carrying on a work to rule – working to the minimum legal capacity – in protest at management's imposition of a 5am shift start which occured on 10 March. "We regret the disruption that will be caused and call on the Home Office to return to the negotiating table," said Mr Keith Wylie, the union's chief negotiator.

The Home Office said it hoped the dispute would be resolved by negotiation but added immigration controls would be maintained as normal in the event of any industrial action.

Independent schools raise fees as boarding declines

By John Authers

The number of boarders at UK independent schools fell for the sixth year running while fees rose by more than the rate of inflation, according to the Independent Schools Information Service (Isis).

Schools warmly welcomed the first increase for six years in the total number of pupils, which rose by 0.63 per cent when day pupils were included, saying this was a sign the recession was ending.

But the signs of serious pressure on boarding continued.

Total numbers of boarders fell by 3.5 per cent, following cuts in each of the last five years, and in spite of the number of pupils from outside the UK in independent schools rising by 9.3 per cent to a new high.

Isis estimates that there are 20,000 students from outside the UK at British boarding schools, out of a boarding population of 71,403, and many schools concentrate their marketing efforts on this sector.

They have also expanded from their traditional markets in the Far East, with a 24.9 per cent increase in recruits from mainland Europe. However, Hong Kong remained by far the single biggest export country, with 1,797 new pupils joining British schools, an increase of 10.9 per cent from last year.

School fees rose by 4.8 per cent, continuing the record of rising by more than the rate of retail price inflation every year for the past decade. Fees increased slightly more than last year, although these levels remain well below those of the 1980s, when double-figure rises were the norm.

UK NEWS DIGEST

BAe shareholder reforms modified

British Aerospace, the defence company, has agreed to alter several of its controversial proposals for reforming how shareholders vote at its annual meeting. Following pressure from Pirc, the corporate governance consultancy, the company has agreed to five separate alterations to its original proposals.

BAe still wants shareholders to approve the scrapping of votes on a show of hands but has agreed to publish any substantial shareholder amendments to its resolutions ahead of the annual meeting. Shareholders will also be able to propose minor and technical amendments at the company's annual meeting. Earlier this week BAe disclosed that it had agreed to reinstate an annual vote for shareholders on its annual report and accounts.

The company has also agreed to consult with Pirc on the appropriateness of a large increase in directors' fees. It has also undertaken to reinstate a limit on directors' fees when next revising its rules.

British Aerospace has a history of turbulent annual meetings which last year culminated in three people being forcibly ejected. One member of a group of arms trade protesters was dragged from the hall by security guards after he complained to Mr Bob Bauman, the chairman, that he was being subjected to racial abuse. The shareholder who made the alleged remarks was politely moved to another part of the hall. The Campaign Against the Arms Trade, which mustered 100 supporters at last year's meeting, is planning another protest on May 1.

Financial Times Reporters

NatWest fined for poor controls

National Westminster Bank, the UK clearing bank, has been fined £75,000 ($113,000) by Imro, the fund management industry regulator, for poor administration of its clients' personal equity plans.

Imro announced yesterday that NatWest had failed to carry out adequate reconciliations and in so doing had broken three of its rules. NatWest accepted Imro's charges as part of the settlement of the disciplinary proceedings and agreed to pay additional costs of £45,000. According to Imro, NatWest failed to correct discrepancies between the positions clients had ordered for their Peps and the shares the bank had bought on their behalf. NatWest said it was improving training and computer systems as a counter measure.

Recently the The Securities and Futures Authority expelled from its registers Mr Geoffrey Glazebrook, the former head of European equities marketmaking at NatWest Securities, for overvaluing trading positions in order to conceal losses.

Nicholas Denton, London

Eurosceptic actions attacked

Mr Kenneth Clarke, the chancellor of the exchequer, yesterday pilloried the financier Sir James Goldsmith and his supporters amid growing complaints from backbenchers in the governing Conservative party that more should be done to counter the threat posed by his referendum party.

Mr Clarke said some MPs were working to secure Britain's outright withdrawal from the European Union while pretending merely to seek reforms of its institutions. Mr Clarke's remarks were seen at Westminster as an thinly veiled attack on Mr John Redwood, the former Welsh secretary and challenger to the Conservative leadership, who on Wednesday held a high-profile meeting with Sir James.

Mr Clarke, who last month threatened to resign in an attempt to stop the cabinet from backing a referendum on UK participation in a single currency, expressed indignation felt by the pro-European moderate wing of the party at the recent string of newspaper endorsements for Sir James. About 30 Eurosceptic backbenchers met the chief whip, Mr Alastair Goodlad, on Wednesday night to express their concern at the government's EU policy and handling of the beef crisis.

A former cabinet minister said the government faced the choice between seeing a section of Tory voters transferring allegiance to the referendum party at the general election or opting for a broader referendum question – a move that pro-Europeans warn would tear the party apart.

John Kampfner, Chief Political Correspondent

Capital's taxi fares set to rise

Taxi fares in London are to rise by an above-inflation 4.59 per cent on Saturday, Mr Steven Norris, the transport minister, announced last night.

The new tariff will incorporate a minimum charge of £1.40 ($2.11) – including a hire charge of £1 – for the first 513 metres or 111 seconds, Mr Norris said in a Commons written reply. The charge for each additional passenger will be 40p. *George Parker, Political Staff*

CONTRACTS & TENDERS

هكذا من الأصل

Faithful to Fidelio

David Murray reviews Graham Vick's new production for English National Opera

Beethoven's *Fidelio* lends itself to various readings: nowadays mostly "political", in the sense of pinning the composer's social-democratic sympathies (subversive enough in their time) to some current idealistic programme. One expected no less from Graham Vick, who has staged *Fidelio* anew for the English National Opera; but perhaps in spite of himself, he has done much better than that, and the music is honourably treated. Sensible opera-lovers should book in haste.

Paul Brown's set consists of a huge wooden cross, spreadeagled across the stage. Everything takes place on and around it – and sometimes under it; for it rises at a tilt to disgorge the chorus of prisoners, and later to serve as the ceiling of Florestan's deep dungeon. The effect is forbiddingly stark. Vick contrives nevertheless to have the action played out as if the usual naturalistic settings were in place, and we never feel the lack of them.

The costumes are modernised only to the extent of the prison warders' uniforms. Vick disdains any fashionable suggestion that there is some horrid Fascist regime in place; in fact Florestan's persecutor Don Pizarro and his eventual saviour Don Fernando both wear old-fashioned business suits (the one in black, the other white).

As Leonora in her male disguise, Kathryn Harries cuts a memorably appealing figure, tall and slim with a boyish haircut that makes her somehow resemble the FBI special agent of *Twin Peaks*. For stage purposes her masquerade looks decently credible, but we are allowed to appreciate her womanly reactions to events. Her warm, dusky voice suits the role excellently, though she needs more of a cutting edge yet for some passages (and we lose more of her words than almost anybody else's).

Her benighted Florestan is Anthony Rolfe Johnson. The effort of raising his cultivated tenor to near-heroic status involves some coarsening of tone: hard not to regret, since the pure Rolfe Johnson instrument is singularly beautiful to hear, but his straining conveys appropriate torment and despair.

Gwynne Howell sings a solid, paternal Rocco, as usual, and Mary Plazas is entirely delightful, fresh-voiced and musical, as his daughter Marzelline. Her swain Jacquino is Philip Sheffield, who presents that harassed youth in considerably greater depth than is the norm, and with a nice comic side.

Peter Sidhom's villainous Pizarro is full of bluff menace, though his kind of baritone is not what the role needs. In quick music he blusters, where nothing less than a hard, laser-focus voice will really do. As Don Fernando, John Connell is impeccably dignified.

The conductor Richard Hickox is careful and judicious with the score, but unexciting. The orchestra should lend tremendous drama to the climactic dungeon-scene; here, it merely accompanies it. Later performances may rise better to Beethoven's challenge. The chorus makes a admirably lusty noise; and we were grateful *not* to have the third *Leonora* overture interpolated between dungeon-scene and finale, as used to be standard practice.

All in all, this is already a distinguished *Fidelio*, which means that it is eminently worth hearing, and I expect that it will develop nobly from performance to performance.

Production supported by the Woodward Charitable Trust; in repertory at the Coliseum until June 6.

Kathryn Harries: her warm, dusky voice suits the role of Leonora excellently Alastair Muir

Theatre/**Ian Shuttleworth**

A futuristic Divine Right

Arts and media scheduling is becoming something of an art in itself. St. George's Day saw not only the transmission of the first part of ITVs family documentary *Edward on Edward*, but also the premiere of Peter Whelan's "whither the monarch?" play *Divine Right*, under the direction of his regular stage associate Bill Alexander in Birmingham.

Speculative near-future dramas are more customarily the fare of television than of theatre. And Whelan's twin plot play set in the year 2000 would sit well on the small screen. We alternately follow the fortunes of a cross-party Commons Republican pressure-group led by a hard-left female Labour democrat and a shrewd new-right Tory meritocrat (an unlikely couple who, as Whelan underlines several times, are bedfellows only in the figurative sense); and those of the Prince of Wales's eldest son who, before deciding whether to accept the right of succession renounced by his father, goes AWOL in disguise to peer into the lives of ordinary folk. The Prince is unnamed, but the production's promotional image is the Eton photograph of Prince William.

Like Whelan's last theatre work, *The School of Night*, this is a play of ideas which sometimes poke out like bones through the skin in a nasty fracture: the politicos and the prince get set-piece speeches, and the chief of the police riot squad pops out of nowhere to muse on the sociology of policing. A number of *aperçus* are blatantly shoehorned into the dialogue, such as "The 'royal manner' is a kind of schizophrenia." At times it threatens to become a dramatised essay on the constitutional and metaphysical relationships between the Crown and the nation.

These points notwithstanding, the play has its sights set on a wide audience. The exchanges between a Blairesque Labour premiere and a Portillonian opposition leader are written and staged with mordant observation for an audience now as familiar with such events as with any other televised comedy-drama. The central conceit, too, has the reassuring lineage of *Henry V* and *The Prince and the Pauper* – although just how William Mannering's Prince learned to pass himself off in broad estuary English remains an enigma. Alexander's staging and Kit Surrey's design are also rather flash: as the House convenes above the main stage, trucks roll on and off to set scenes everywhere from a TV studio to a derelict haulage container used as a skip by a pair of unsavoury neo-skinheads.

Of the players, Ian Gelder and Mary Jo Randle as the maverick politicians spark as much as a Socratic dialogue allows, and Joe Melia turns in an unshowy performance as their Anglo-Irish millionaire paymaster. Leo Ringer amuses himself and us as (by turns) a Paxman-like television rottweiler, a dreadlocked Wembley stadium under-manager and a Nigerian all-night storekeeper.

The play is unexceptional and clunky in its attempts to claim both broad and elevated appeal, but the production and circumstances in the wider world combine to give a surprising degree of success. Alexander protests that when he commissioned the play he had know idea it would turn out to be so topical, but he realises it now. I suspect a screen version.

At Birmingham Repertory theatre until May 11 (0121 2364455).

Miranda Richardson as Judy Alastair Muir

Theatre/**Alastair Macaulay**

Cast into mysterious irony

Bit by bit, Wallace Shawn's strange new play *The Designated Mourner* assembles itself, mysteriously and ironically and disturbingly, in the mind as we follow its meandering course – even as its cast of three reduces to two, and then to one.

After the play ends, it goes on taking shape in the mind and it would be difficult, writing in the hour after its premiere performance, to announce calmly what it is about.

Much the most striking immediate impression is made by its dramatic style. The three characters of the first and longer part of the play, all sitting at one long table and facing us, address the audience, and/or the air in front of them, far more than they ever do one another. Each one speaks of other people, but many minutes pass before we are sure that the other people about whom they are speaking are, on the whole, each other. The mood, from the first, is one of intense and sustained irony.

In particular, Jack (Mike Nichols) speaks of Howard (David de Keyser) and of Judy (Miranda Richardson), and he speaks of them in the past tense. Judy is Howard's daughter and Jack's lover; Howard is a writer and literary aesthete; but – even though Judy sometimes joins Jack in his remembrances, and even though he once or twice speaks as if he were in her memory – gradually it is Jack's account of both Howard and Judy that dominates.

This is another irony, for we can hear that Jack cannot fully appreciate Howard (in particular) or Judy; and at times he is so determined not to appreciate them that he speaks of them (Howard in particular) with repudiation.

Jack's mind, which reveals itself ever more oddly to us, is at the centre of the play. It is a divided mind, compulsively disloyal, incapable of Howard's sheer mental authority. Jack, as he says himself, is clever enough to know that John Donne is enjoyable but not clever enough to enjoy him. To some extent, Judy can join him in this insecurity; late in the play, she is troubled when she speaks of how a close friend of Howard's, Joan, spoilt her deep pleasure in one play and performance by disagreeing with it. But it is Jack's mind that predominates.

We listen to his stream of consciousness, almost all in reminiscence, and he becomes a voice as isolated and alienated as the protagonist of a Camus novel. By the time that he alone is left on stage, if not long before, we feel that he is *in fact a solipsist, trapped in a* self he does not comprehend or love.

But the play is by no means solely psychological, for the characters (all Americans) talk of their lives amid a time of violence, with thousands of people being shot. Culture itself is endangered, and, late on, Jack lights a paper to honour the passing of the last person to have read the no-longer-immortal John Donne.

Part of the pleasures in following *The Designated Mourner* lies in the play's mystery; in the way that it very surely shows itself to be a work of art whose suggestions do not all disclose themselves at once.

The playwright David Hare directs this complex/simple play (nobody ever rises from sitting save to leave the stage) and the American director/producer Mike Nichols returns to the stage to play Jack. His is a superbly conceived and most unusual performance – perfectly judging the endless callowness and irony of the character, marred only in the final section by fleeting lowerings of the eyes that distract us with the thought that he is cueing himself with the help of notes hidden on the table from our view, but finally shadowing his voice with sudden and most spontaneous clouds of unshed tears.

Miranda Richardson as Judy, David de Keyser as Howard, Bob Crowley's set: I have neither time nor space left to praise them, but every inclination.

In National Theatre repertory *at the Cottesloe Theatre, South* Bank, London EC1

Parody of the Fall

Heinrich von Kleist's 1806 play was staged by Northern Broadsides last year as a rumbustious Yorkshire set-to, under the title *The Cracked Pot*. Roger Ringrose's version for his company, News From Verona, is less ebullient and conventional almost to the point of archaism – the expletives of Ringrose's unscrupulous, incompetent Judge Adam sound more often than not to be couched in decorous, early-1950s stage euphemism. As with the text, so with the production: it is able and entertaining but less than extraordinary.

Kleist's parody of the myth of the Fall is a gentle one: it is Judge Adam who tempts young, betrothed Eve into unfaithfulness (a temptation she understandable resists) and is unmasked as the miscreant who broke her mother's vase when his club-footed prints in the snow are mistaken for those of the Devil *himself*.

This framework does little to inform what is effectively a rural courtroom comedy, as Judge Adam goes to ever-greater and more ludicrous lengths to prevent his misdeeds from discovery by the visiting High Court official, Magistrate Walter – Sam Parks taking full advantage of his lanky frame to look down on the proceedings.

As Adam, Ringrose tries to combine shambling, simian unpleasantness with a delivery which at times sounds like Anthony Hopkins playing Richard III.

Tim Marchant's direction is more than competent but less than subtle, giving full rein to Rosalind Lewis's garrulous caricature mother and even pitching the occasional witness's testimony straight out to the audience. Sean Jones has some nice moments of low-key self-consciousness as Eve's *unjustly accused fiancé*, Ruprecht, and Philip Ayckbourn refrains from over-playing the smugness of Judge Adam's clerk, Licht, but the production as a whole never acquires either momentum or a distinct identity.

As a company, News From Verona has coherent intentions and a generous modicum of collective ability. However, it is unlikely to make much of a mark with undistinguished, unambitious productions such as this.

At Riverside Studios, London W6, until May 12 (0181-741-2251)

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-5730573
● Japan Philharmonic Symphony Orchestra: with conductor Jun'ichi Hirokami and violinist Reiko Watanabe perform works by Yashimatsu, *Lalo and De Falla*; 8.15pm; Apr 28

■ BERLIN

CONCERT
Philharmonie & Kammermusiksaal Tel: 49-30-2614383
● The English Concert: with conductor/harpsichordist Trevor Pinnock and soprano Nancy Argenta perform works by Handel and J.S. Bach; 8pm; Apr 30

OPERA
Deutsche Oper Berlin Tel: 49-30-3438401 ● Palestrina: by Pfitzner. Conducted by Christian Thielemann and performed by the Deutsche Oper Berlin. Soloists include Reinhard Hagen, Oskar Hillebrandt, Gerd Brenneis and René Kollo; 6pm; Apr 28; May 1

■ DRESDEN

OPERA
Sächsische Staatsoper Dresden Tel: 49-351-49110
● Melusine: by Reimann. Conducted by Marc Albrecht and performed by the Sächsische Staatsoper. Soloists include Claudia Balrainsky, Helga Dernesch, Barbara Hoene and Tom Martinsen; 7pm; Apr 29; May 2

■ DUSSELDORF

DANCE
Opernhaus Düsseldorf Tel: 49-211-89080
● ... und Farben, die mitten in die Brust leuchten: a choreography by Heinz Spoerli, performed by the Ballett Düsseldorf; 7.30pm; Apr 27

■ FRANKFURT

CONCERT
Alte Oper Tel: 49-69-1340400
● Don Quichotte auf der Hochzeit des Comacho: by Telemann. Concert performance by La Stagione Frankfurt with conductor Michael Schneider. Soloists include Raimund Nolte and Michael Schopper; 8pm; Apr 27

■ HAMBURG

CONCERT
Musikhalle Hamburg Tel: 49-40-346920
● Symphony No.7: by Mahler. Performed by the Hamburger Symphoniker with conductor Jac van Steen; 7pm; Apr 28

■ HELSINKI

OPERA
Opera House Tel: 358-0-403021
● Tosca: by Puccini. Conducted by Kari Tikka and performed by the Helsinki Opera. Soloists include Pirkko Törnqvist, Esa Ruutunen, Hannu Forsberg and Jaakko Hietikko; 7pm; Apr 27

■ HOUSTON

EXHIBITION
The Menil Collection Tel: 1-713-525-9400
● *Eve Arnold: A Retrospective*: exhibition featuring more than 150 black-and-white and colour photographs taken by Arnold over a forty-year period; to Apr 28

■ LEIPZIG

OPERA
Oper Leipzig Tel: 49-341-1261261
● Der fliegende Holländer: by Wagner. Conducted by Niksa Bareza and performed by the Oper Leipzig and the Gewandhausorchester; 6pm; Apr 27

■ LONDON

EXHIBITION
National Portrait Gallery Tel: 44-171-3060055
● *Faces of the Eighties*: a display featuring some of the most renowned, revered and reviled faces from the last decade, to complement the BBC series "Peter York's Eighties". The exhibition includes photographs, paintings and sculpture, all created between 1980 and 1989; to Apr 28
Tate Gallery Tel: 44-171-8878000
● Bill Woodrow: Fools' Gold: *exhibition of fifteen bronze* sculptures made over the last five years by the British artist Bill Woodrow; to Apr 28
JAZZ & BLUES
Ronnie Scott's Tel: 44-171-4390747
● Tania Maria: with special guests the Anthony Kerr Quartet; 10.45pm & 1am; from Apr 29 to May 5
Wigmore Hall Tel: 44-171-9352141
● Stan Tracey, Gerard Presencer and Andy Cleyndert: the pianist, trumpeter and double bass-player perform jazz music; 7.30pm; Apr 28

■ LUXEMBOURG

CONCERT
Théâtre Municipal Tel: 352-470895
● Solistes Européens: and pianist Sergei Edelmann perform works by Prokofiev, Mendelssohn and Mozart; *8pm; Apr 29*

■ MADRID

OPERA
Teatro de la Zarzuela Tel: 34-1-5245400
● *Falstaff: by Verdi. Conducted* by Alberto Zedda and performed by the Teatro de la Zarzuela. Soloists include Bruno Praticò. Octavio Arévalo, Carlos Alvarez and Ilona Tokody; 8pm; Apr 27, 29; May 2

■ MUNICH

OPERA
Nationaltheater Tel: 49-89-21851920
● Turandot: by Puccini. Conducted by Christian Badea and performed by the Bayerische Staatsoper. Soloists include Gwyneth Jones, Karl Helm, Angela-Maria Blasi and Martin Gantner; 7pm; Apr 28; May 3

■ NEW YORK

CONCERT
Avery Fisher Hall Tel: 1-212-875-5030
● American Symphony Orchestra: with conductor Leon Botstein perform works by Roussel, Chausson and Debussy; 3pm; Apr 28
Carnegie Hall Tel: 1-212-247-7800
● Baltimore Symphony Orchestra: with conductor David Zinman and pianists *Leon Fleisher and Gary* Graffman perform works by Paine, Bolcom and Beethoven; 3pm; Apr 28

■ PARIS

EXHIBITION
Galerie Nationale du Jeu de Paume Tel: 33-1 47 03 12 50
● Philippe Favier: retrospective exhibition devoted to the work of this French collage artist; to Apr 28

■ STOCKHOLM

OPERA
Kungliga Teatern - Royal Swedish Opera House Tel: 46-8-7914300
● Die Fledermaus: by J. Strauss. *Conducted by Sixten Ehrling and* performed by the Royal Swedish Opera. Soloists include Staffan Sandlund, Ragnar Ulfung, Hilde Leidland and Britt Marie Aruhn; 7.30pm; Apr 27, 29

■ VIENNA

CONCERT
Konzerthaus Tel: 43-1-7121211
● Alban Berg Quartet: *perform* works by Mozart and Rihm; 7.30pm; Apr 29, 30
● Wiener Symphoniker: with conductor Christoph Eschenbach and soprano Denyce Graves perform works by Berlioz and Tchaikovsky; 7.30pm; Apr 27, 28

■ WASHINGTON

EXHIBITION
National Gallery of Art Tel: 1-202-7374215
● The Art of Louis-Léopold Boilly: *Modern Life in Napoleonic France*: exhibition devoted to Louis-Léopold Boilly (1761-1845), the leading genre painter and one of the most prolific portaitists in France during the revolutionary and Napoleonic periods. The show includes about 50 oil paintings from museums and private collections in the United States, Europe and Australia. The works trace the artist's development from 1780 to 1845; to Apr 28

■ ZURICH

OPERA
Opernhaus Zürich Tel: 41-1-268 6666
● Samson et Dalila: by Saint-Saëns. Conducted by Serge *Baudo and performed by the Oper* Zürich. Soloists include Birgit Remmert and Giorgio Zancanaro; 7.30pm; Apr 27

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17.30
Financial Times Business Tonight

CNBC:

09.00
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Philip Stephens

Bogus battleground

With the UK now not certain to meet the budgetary criteria for a single currency, both Tories and Labour are boxed in

We can be sure of one thing. The debate over taxation and spending which precedes the next general election in Britain will be as phoney and fraudulent as the one which dominated the last. The public finances are in a mess. It looks doubtful now that Britain will qualify to join a single currency. But the Conservatives will promise painless tax cuts, New Labour a costless revitalisation of public services. The pledges will be based on an economic analysis as robust as my guess of the winning numbers in this week's National Lottery.

I am not talking here about the odd dubious statistic. Rather a hailstorm of massaged forecasts and shameless assumptions. Over the next few years, the reality of economic circumstance will once again collide brutally with the proclaimed ambitions of John Major and Tony Blair. There is no pot of gold. That will not inhibit either man from telling the voters how they intend to spend it.

This is not a case of the cynical commentator taking easy shots at lame politicians. Just recall for a moment the ground on which the 1992 election was fought. Then consider what has happened.

In the Budget which launched the Conservative campaign, Norman Lamont introduced a 20p band of income tax. During subsequent weeks Mr Major pledged that, year-by-year, he would progress towards turning the new band into the basic rate. This, of course, was predicated on a doctored Treasury forecast of government borrowing. Mr Lamont assured us that, after a temporary blip as a result of the recession, the public sector borrowing requirement would begin a sustained glide towards balance. To be precise, by 1996-97, the current financial year, the PSBR would be a piffling £6bn. That, remember, after tax cuts year-by-year.

And the reality? Instead of lower taxes there have been the largest increases in peacetime. Some £16bn. But the Treasury still expects borrowing this year to be more than four times higher than its projection in 1992. In other words, its original, reassuring, forecast was out by a factor of six or seven. As a now-departed American congressman used to say, figures can't lie but liars can certainly figure.

Labour, though, should not be let off the hook. Folklore has it that the definitive moment of the 1992 campaign was the late John Smith's "shadow Budget". This purported to show that higher child benefit and state pensions could be financed with only minimal increases in taxes. The truth is that Mr Smith's flimsy arithmetic merely exposed the damage already done by a mountain of public spending pledges. If Labour had won, it too would have betrayed its manifesto.

All this leaves us in 1996 with politics and economics on their familiar collision course. The economic case for tax cuts before the election has vanished. The PSBR is shrinking far less rapidly than the Treasury predicted even a few months ago.

Last year's deficit amounted to 4.5 per cent of national income. On the agreed definition in the Maastricht treaty, the shortfall is even higher, at 6 per cent. What cruel irony. The cosy assumption has been that Britain would be eligible to join a single currency in 1999 but free to make up its own mind. It no longer holds. I gather that the Treasury considers it at best an even bet that the deficit will be down to the requisite 3 per cent next year. And officials, remember, are paid to be over-optimistic. Just think about it. All that political fuss, the Conservative party torn apart by the issue, and Britain may not even qualify to join.

> All that political fuss, the Conservative party torn apart by the issue of European economic and monetary union, and Britain may not even qualify

The unexpectedly slow improvement in the public finances may be blamed partly on the curious stop-go pattern of the economic recovery. The composition of the upturn has also been atypical, led initially by exports rather than consumption. And, in economics, it is always the easiest mistake to project the present into the indefinite future.

The officials who study these things, however, are pretty sure that there has also been a significant and permanent shrinkage of the tax base. People are paying less Value Added Tax, perhaps because a rate of 17.5 per cent has taught more people how to avoid it. Corporation tax receipts are down, thanks to the tax avoidance industry. So while the economy's expected acceleration later this year will make significant inroads into the PSBR, borrowing will remain uncomfortably high. And, with consumption now the principal motor of growth, a widening trade deficit leaves no room for any relaxation of fiscal policy.

No matter. If he is still there Kenneth Clarke will cut taxes in his November budget. He has to. Perhaps I should admit in parenthesis here that the government's recent performance raises a serious question in my own mind as to whether it will simply fall apart well before the end of this year. But, for now, let's stick with the working assumption that it somehow manages to stagger on.

The size of the cuts will depend on how much the financial markets will let him get away with. Mr Clarke will have to consider also the balance he wants to strike between preserving his reputation as one of the better chancellors of recent times and wrecking the financial inheritance of an incoming Labour government.

My bet is that Mr Clarke will find the money by announcing a further squeeze on public spending. But the figures will be incredible. The existing settlement for Whitehall departments over the next three years is already the tightest in living memory. In most areas it implies a complete freeze in spending and, in many, significant cuts. The senior civil servants paid to deliver the savings doubt that it is possible unless they cut deep into frontline public services. But even for an honest chancellor, there will be an irresistible temptation to write into the next budget a still lower set of figures. After all, the real pain will not be felt until after the election.

So where does that leave Mr Blair and his shadow chancellor, Gordon Brown? Boxed in. Mr Brown has promised to keep the fiscal deficit within the Maastricht criteria. He will borrow, he adds, only to invest. Mr Blair says there are to be no tax increases for the middle classes. Like it or not, he will probably be forced by his own words to endorse Mr Clarke's pre-election tax cuts. I suspect Mr Blair would also prefer to hold the top rate of tax to 40 per cent. Even if he is obliged by his party to propose a higher rate, there is not much extra revenue in it.

True, this time round there are few specific spending promises. But while Mr Blair's shadow cabinet colleagues are ready to embrace austerity in opposition, higher spending is implicit in their ambitions for government. It is easy to make hard choices when they are theoretical. Week by week the prospect of Labour winning the election seems to harden towards certainty. It will find nothing sweet in the chalice of victory.

·LETTERS TO THE EDITOR·

Number One Southwark Bridge, London SE1 9HL

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Income trends and cost of consumer goods and services hardly a recipe for revolution in US

From Professor Ira Sohn.

Sir, Those gearing up for a revolution in America should proceed cautiously ("Talkin' bout a revolution", April 22).

What is remarkable about the US economy – which annually generates about $7 trillion in incomes and employs 120m people – is its stability. In the share-out of national income (abstracting the 1982-83 world recession), employment-income has ranged between 72 per cent and 75 per cent while investment-related income has maintained a similar constancy, from between 15 per cent and 19 per cent.

To be sure, the clues to explaining the reported wedge, since 1982, in productivity and worker compensation indices can be found in the powerful forces unleashed by technological change, deregulation, increased monetary discipline, corporate restructuring, liberalised international trade and capital markets and, not least, structural reform in Latin America, eastern Europe and Asia. All of these became permanent features of the US economic and financial landscape in the past 15 years.

All this has conspired to create excess supply in America's "middle-class" labour market, reflected in the very modest increments in recent pay accords for this large part of the labour force, ie, declining real wages.

However, the upside of all this is revealed on the left-hand side of the price-cost equations. Inflation-adjusted prices of most consumer goods and services – healthcare and education notwithstanding – continue to decline along with improvements in access, choice and quality of most goods and services.

Finally, the plethora of new consumer electronic products saturating American households since 1980 (including VCRs, microwave ovens, home CD players, personal computers, home fax machines and cordless and cellular telephones) continues to enhance material life for society at large, ie, increased real consumption. Hardly a recipe for revolution.

Ira Sohn,
professor of finance,
Montclair State University,
Upper Montclair,
New Jersey 07043, US

Clarity in Gibraltar

From Ms Jean Cooper.

Sir, Tom Burns claims that, as an offshore financial centre, Gibraltar has opaque banking regulations ("Helicopter crash fuels Gibraltar drugs row", April 12). In fact, as a member of the European Union, Gibraltar is required to implement all its directives relating to banking. Although transposition of these into national law is not yet complete, the banking ordinance was amended to reflect the second banking co-ordination directive in 1993.

In addition, all Gibraltar's banks (and most of its other financial services companies) are required by law to have measures in place to prevent the use of the financial system for money laundering. Since the start of this year, this has covered the proceeds of all indictable crimes, thus going beyond the EU money laundering directive requirements.

Jean Cooper,
banking and investment business supervisor,
Financial Services Commission,
Suite 943, Europort,
Gibraltar

Scepticism over merger well-founded

From Mr Kenneth P. Armitage.

Sir, It is unusual that Wall Street analysts should be sceptical over the proposed merger of Bell Atlantic and Nynex, ("Bell Atlantic and Nynex set to merge", April 22), especially when it follows the earlier merger of SBC Communications and Pacific Telesis. It is even more so when the culture of fund managers tends to be based on short-term improvements to the bottom line, including downsizing, restructuring and re-engineering, and management programmes following mergers which are designed to destroy jobs.

What service-sector companies fail to appreciate is that it is the quality and availability of service and the quality and availability of communication between customer and company which provides profits and that reductions in service quality loses them customers.

Besides, it is one thing to have a leaner and meaner organisation, which might look good on paper, but it is of no use when customers go elsewhere. According to the American Management Association fewer than half of the companies which went through downsizing programmes since 1990 have produced higher operating profits and even fewer have increased profitability.

Mergers and acquisitions stifle rather than stimulate competition, and the resulting redundancies, especially among middle managers and supervisors (the corporate people with knowledge and experience), destroys customer loyalty. Perhaps the Wall Street analysts have a point.

Kenneth P. Armitage,
6 Deben Valley Drive,
Kesgrave,
Suffolk IP5 7FB, UK

FT example for UK companies to follow

From Mr Robin Baiden.

Sir, Now the FT is being printed in Hong Kong, it is available here in Singapore on the evening of the day of publication. This is a great improvement, particularly for the Weekend FT which used to arrive the following Monday, but can now be read on Saturday.

Your communications example is unfortunately not followed by a number of UK companies which send letters overseas franked with UK domestic rate postage (often 2nd class). Such correspondence takes up to three months to get here and in my experience is sent by large, well known companies, sometimes with offices here.

It is difficult to believe this applies to Singapore-bound mail only. If not, there must be a lot of outdated letters from the UK sitting for months in the holds of ships. On arrival, the chances must be that they are irrelevant to the recipient and not terribly helpful to the image of UK plc and its overseas trade missions.

Perhaps a small investment in a world map, with accompanying airmail rates, for the company's mail room might help to put this right. Oh, and it would also be helpful if UK companies would reply to faxes by fax rather than by mail.

Robin Baiden,
67 Cavenagh Road,
Le Chateau, #04-04,
Singapore 229621

Europa · Jochen Thies

Time for Kohl to step down

The chancellor's long hold on office has become an increasing problem for Germany

A long time at the helm: Helmut Kohl with Klaus Kinkel (left), the German foreign minister

The outcome of the elections in three German Länder last month has been much clearer than expected. The liberal Free Democratic party has survived to fight another day, making it almost certain that the ruling coalition of Free Democrats and Christian Democrats will win the federal election in 1998.

The outcome of the election, therefore, no longer depends on Helmut Kohl remaining chancellor. In other words, he can step down from office without ceding the chancellorship to the opposition Social Democrats.

This is unlikely to be a palatable message to Mr Kohl who this year exceeds the term in office of Mr Konrad Adenauer, the first post-war chancellor. But as the debate continues on how to reduce government spending, it is time to recognise that Mr Kohl's 14 years at the pinnacle of German politics is becoming a problem for the country. His domination of the political scene is not good for democracy.

One reason why change is needed is Mr Kohl's approach of placing friends and close associates in key positions. That is a legitimate game and Germany is not the only country where it happens. But the longer he stays in office, the deeper the consequences for the political system and the institutions of the country.

For example, it is becoming clear that positions subject to political appointment are often filled by the wrong people. The top ranks of the civil service have suffered heavily from this.

And he has also made some less than dazzling appointments in his government, such as Wolfgang Bötsch, the telecommunications minister, and Claudia Nolte, the 30-year-old youth minister. At a time when the future of the country as an international economic competitor is at stake, a mediocracy is the last thing it needs.

Five years after unification, German society is petrified in two societies. A traveller between Berlin and the Rhineland can see that there has been no merger between the two very different halves of the country – and the gap between them is growing.

Yet no new ideas or fresh approaches are coming forward to address Germany's growing problems. Kurt Biedenkopf, the prime minister of Saxony, is a lonely source of new thinking. The chancellor holds big conferences that lead nowhere: all arguments are known, everything has been said.

Over the years, "chancellor democracy" has increasingly become a presidential system in which faces count, not institutions. Mr Kohl prefers to listen to a handful of people. Thus the most effective influence on the chancellor day-to-day is Mr Friedrich Bohl, the internationally unknown minister without portfolio in the chancellery.

Mr Joachim Bitterlich, a deputy undersecretary of state in the chancellery, shapes Mr Kohl's thinking on foreign affairs. On economic matters, the chancellor relies on the judgment of another undersecretary of state in the economics ministry.

Even in his relations with the German press, the chancellor normally bypasses the official government spokesman. At the beginning of his period in office, Mr Kohl had a rough ride from the German press and broadcasters. So now he relies on Mr Andreas Fritzenkötter who is the master of the telephone conversation and the informal contact.

Mr Kohl decides when to be interviewed, with the occasions becoming increasingly rare – a "presidential" habit reminiscent of his friend François Mitterrand, the former French president.

Helmut Schmidt, the last Social Democrat chancellor, customarily made important governmental announcements himself. Mr Kohl leaves these in most cases to his ministers.

If he runs into political trouble, he dismisses a minister or creates a new ministry. After the fire at the Chernobyl nuclear power station released radioactive contamination into the atmosphere 10 years ago, Mr Kohl established a ministry of environment to deflect the hysteria sweeping the country.

When the future of the armed forces became controversial, two defence ministers had to resign. When nuclear material was found to have entered Germany from Russia, the head of the national secret service BND resigned. The chancellor is never affected.

Mr Kohl is not, of course, to blame for political tendencies which are built into the system – or for his longevity in office. He is a democrat and still a strong believer in the European cause.

But even friends in his own party increasingly argue that he no longer listens to arguments, that he always knows better and that he advances those who say what he likes to hear.

Some go so far as to say that the chancellor is too far removed from the bitter realities of the country where more and more people are losing their jobs or feeling insecure about their prospects.

The outcome of the elections in Rhineland-Palatinate, Schleswig-Holstein and Baden-Württemberg on March 24 now makes Mr Kohl's departure possible. The threat posed by the opposition Social Democratic party has been greatly reduced after a poor performance under Mr Oskar Lafontaine, who became its president last November.

The defeat of the Social Democrats has also ended the high hopes of many on the German left that a red-green coalition between the socialists and the greens could lead the party back to national power after so long in the wilderness. In times of high unemployment, the average German voter becomes even more conservative.

The result of this dry run for the federal election is thus that the next German chancellor will be a Christian Democrat. Mr Kohl is free to go.

There were signs that he wanted to leave office in 1998 or shortly before. But whenever he is asked about it now, he prefers to remain silent.

That could be because he is thinking about retirement – he is, after all, the only leading European politician of the 1980s who remains in power. Margaret Thatcher, François Mitterrand and Mikhail Gorbachev have all departed the scene, and so too will Felipe González when the new Spanish government is formed.

Yet if Mr Kohl does call it a day, it will be because it is his choice. There is no kaiser to send him home as in the days of chancellor Bismarck. But if he decides to remain in office, it will not be good for Germany.

The author is head of the English service of Deutsche Welle, Germany's overseas broadcasting service

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FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Friday April 26 1996

India goes to the polls

India's election, in which voting begins tomorrow, is an important milestone in the country's political development, even though the campaign has been strikingly devoid of policy debate. Its significance lies in what it reveals about the decline of the ruling Congress Party and the changing nature of national politics.

For decades after independence from Britain, Congress was the political glue that held India together. Its origins lay in the opposition to British rule that united an immensely diverse and otherwise fragmented society. Its main lever of power was the civil service bequeathed by Britain, and its continuing authority was ensured by the tight grip exercised by the Nehru family.

Much of that has gone. The outstanding features of this campaign have been the low standing of national politicians, the importance of regional issues, the emergence of local parties as power brokers and the more strident voice of separate castes. The outcome has thus become impossible to predict in detail. What is certain is that India has moved into an age of coalition politics.

Mr P.V. Narasimha Rao may still end up as prime minister once the votes are counted, but he will preside over a different form of government. With a weak coalition at the centre, the relative power of the states, which has already been boosted by economic reform and deregulation, will continue to grow. India is evolving into a much looser federation.

This is not a bad thing insofar as it simply reflects a new level of political maturity: Indians now feel that their differences can be represented at a political level – and so they should.

But it presents a challenge for Mr Rao or any other leader the election throws up. If India is to become a looser federation, then the role of central government will have to be redefined. Its internal task is to ensure that the move towards decentralisation is smooth and prevent the country from breaking up. The risk is less that the economic reforms will grind to a halt when the election is over, but more that the vote will produce a government incapable of rising to that challenge.

Delhi can make two central contributions. One is to ensure that the rule of law prevails at every level, and the other is to make national unity a matter of economic self-interest for individuals, businesses and states. That means a single-minded pursuit of deregulation aimed at promoting a national market and preventing barriers to competition and trade between the states. A thriving national economy will ultimately be a much more powerful binding force among the increasingly autonomous states than the activities of an autocratic family or a single national party that has increasingly shown itself out of touch with the people.

A bogus choice

There is something rather curious about a wealthy businessman who generally resides in Mexico or France holding court at London's Dorchester hotel to demand a referendum on the question of "Who Governs Britain". There is something even stranger when he succeeds in badly destabilising the government of the day.

Sir James Goldsmith, successful businessmen, representative of France in the European Parliament and reputed billionaire, has decided to field candidates in virtually every constituency at the forthcoming UK general election. His Referendum party will offer a single plank in its manifesto: the demand for a plebiscite on the nation's future in Europe. Sir James promises that as soon as that objective is achieved, the new party will dissolve itself.

In calmer moments, Sir James's enterprise would have been dismissed as an example of the mild eccentricity and natural vanity which often tempts wealthy businessmen into politics. The failed US presidential bids by Ross Perot and Steve Forbes spring to mind. But these are not ordinary times.

The split in the Conservative party over Europe is widening rather than narrowing as the general election approaches. Rows over the Common Fisheries Policy and a spate of recent judgments by the European Court of Justice, and widespread anger over the EU's ban on exports of UK beef has hardened further the Euroscepticism on the Tory backbenches. Some Conservatives are suggesting that perhaps Sir James is right, there should be a referendum on the fundamental issue of membership of the EU. Others are willing to grab any stick with which to beat the EU, or more alarmingly, to raise the spectre of a German-dominated Europe.

Sir James's voice during a week-long media blitz in London this week has also been amplified by sections of the British press. Mr Rupert Murdoch's mass-selling Sun newspaper and Mr Conrad Black's Daily Telegraph have been particularly strident in playing to what they sense to be a groundswell of Eurosceptic opinion among their readers.

Sir James, however, has been disingenuous. He declines to state a precise question for the referendum he demands. The closest has been that the voters be asked whether they wish the UK to be part of a EU of nation states or a European superstate. But that is a bogus choice. It is difficult not to conclude, as have many of its supporters, that the Referendum party's real objective is a vote on UK withdrawal from the EU.

If Sir James carries forward his threat he could well cost the Conservatives some votes and a few seats at the general election. Mr Major, however, is right in concluding that even a sceptical Conservative party could not promote such a referendum. In any event, Sir James is likely to gain more publicity than support. Like Mr Forbes, he may discover that votes do not come cheap in a market economy.

Black Sea blues

War in former Yugoslavia isolated Bulgaria from mainstream Europe and distracted attention from its role within broader strategic developments in the Black Sea region. But the recent lifting of the trade embargo on Serbia and the growing importance of the Black Sea region as a transit route for Russian gas and central Asian oil provide a welcome opportunity for its re-integration into Europe. For this to happen, however, there must be far more decisive reform within the country.

Bulgaria is emerging as a key link in future energy supplies to southern Europe. Gazprom, the Russian oil company, recently gained an effective majority stake in a new Russo-Bulgarian gas company called Topenergy which plans to deliver 29bn cu m of gas annually to the region by the next century. The gas will be pumped down a new pipeline from Yamal in northern Siberia. It will run through Ukraine and Romania and split inside Bulgaria into three branches, to supply Serbia, Greece and Turkey. It is the southern equivalent of a pipeline being built through Poland to supply northern Europe.

At the same time, Russian, Greek and Bulgarian companies are working out the final details of a 320km pipeline from the Bulgarian port of Burgas on the Black Sea to the Greek port of Alexandroupolis. This will take oil from central Asia across the Black Sea, via the Russian port of Novorossisk to Burgas and then overland into the northern Aegean, bypassing the Bosphorus.

The danger in this is that Russia, which has traditionally seen itself as protector of fellow-Slav Bulgaria, could re-establish a stronghold in the Balkans. This could limit Bulgarian independence and cause nervousness among several Nato countries, not least Turkey.

The risks would be much diminished if Bulgaria's socialist government, led by Mr Zhan Videnov, showed the courage demonstrated last year by the Hungarian government and pressed ahead more vigorously with long-delayed economic reforms, to underpin Bulgaria's independence. The need for this became obvious at this month's annual conference of the European Bank for Reconstruction and Development in Sofia. Such reforms should include restructuring the banking system, closing big lossmaking enterprises and encouraging a private sector starved of capital and harassed by erratically enforced and sometimes retroactive laws and taxes.

Provided Mr Videnov bites the bullet, the International Monetary Fund is ready with a new standby agreement and the World Bank has promised up to $800m. Foreign investors, who have invested less than $800m compared to nearly $14bn in Hungary, would also be attracted to this potentially wealthy country. Now is the time for bold action.

Predators in confusion

Business and consumer groups want greater clarity in UK competition policy after this week's power industry ruling, says **Stefan Wagstyl**

The UK government's decision to block bids by National Power and PowerGen, the generators, for electricity distribution companies has highlighted the uncertainty which has surrounded competition policy in recent years.

By unexpectedly stopping the takeovers, Mr Ian Lang, the trade and industry secretary, has overruled the Monopolies and Mergers Commission, the government's competition watchdog, which favoured approval for the bids.

It is also a significant reversal of his own past decisions. Mr Lang, who took over at the DTI last summer, has until now favoured big power and water industry mergers, despite expressions of concern from the utilities regulators and consumer groups.

This week's decisions have left the City confused about competition policy and redoubled demands for greater clarity in future and for reform. As Mr George Mason, policy adviser at the Confederation of British Industry, says: "What business wants above all else is clarity."

A City analyst says bluntly: "Nobody trusts the government any more on these competition decisions."

Even consumer groups, which welcomed the decision, condemned confused decision-making in competition policy. Mr Philip Cullum, of the Consumers' Association, says: "It all shows how much we need reform."

Some competition lawyers see Mr Lang's decision this week as a sign that he wants to promote free competition more than Mr Michael Heseltine, his predecessor at the DTI. Mr Heseltine, now deputy prime minister, was seen as favouring large mergers as a way of creating "national champions" capable of battling in international markets.

However, others say Mr Lang has bowed to popular protests for the sake of votes in the forthcoming general election, after Mr Norman Lamont, the former chancellor, urged him to intervene when a US electricity company said it wanted to take over National Power. As one competition lawyer says: "It looks like a bit of politicking."

The current confusion over the purposes of competition policy stems from two sources – recent decisions by the competition authorities taken under Mr Heseltine's influence and the structure of British competition law.

Before Mr Heseltine took over the DTI in 1992, the emphasis in competition policy was concentrated on promoting competition, under the so-called "Tebbit doctrine" set out by Mr Norman (now Lord) Tebbit, trade and industry secretary in the mid-1980s.

But Mr Heseltine's determination to improve the UK's competitiveness in international markets led to a change of emphasis, in which successful UK businesses would be not be hampered by bureaucratic interference. One immediate consequence was that he delayed plans to tighten competition law.

The number of mergers and possible anti-competitive practices referred to the Monopolies and Mergers Commission dropped sharply – MMC reports fell from a peak of 30 in 1989 to just 15 last year. And Mr Heseltine appointed as chairman of the Monopolies and Mergers Commission Mr Graeme Odgers, a businessman who shares his dislike of excessive bureaucratic interference in the economy.

Critics including the Consumers Association accused Mr Heseltine of favouring business at the expense of the public interest. And officials at the Office of Fair Trading, which investigates possible abuses of competition law, became concerned that they were being ignored.

When Mr Lang took over from Mr Heseltine last summer, his initial decisions indicated that he would continue the Heseltine approach. He approved mergers in power and water, industries with millions of consumers. These included North West Water's acquisition of Norweb, its local electricity distributor, and the bid by Hanson, the industrial group, for Eastern Electricity.

In doing so, Mr Lang over-rode requests for the bids to be referred to the Monopolies and Mergers Commission from Mr John Bridgeman, the newly appointed director-general of fair trading. He even declined to ask the commission to investigate Scottish Power's bid for Manweb, the first time that a generator had bid for a distributor. Although this began to unpick the careful separation of generation from distribution introduced at privatisation, Mr Lang said that he had no objection in principle to such vertical integration.

These decisions raised serious concerns not just at the office of fair trading and consumer groups but also with Professor Stephen Littlechild, the electricity regulator. So when the National Power and PowerGen bids were announced in the autumn, Mr Lang bowed to pressure and referred the planned deals to the MMC.

Complaints that competition policy decisions lack clarity have prompted demands for reform, to which the government has responded half-heartedly. This year, after much delay, it published a green paper, proposing modest changes in the current tripartite system under which authority is divided between the OFT, the MMC and the government as a final arbiter. The government's proposals are for boosting the OFT's investigative powers and strengthening the law on cartels.

But many competition lawyers say the tripartite system is cumbersome, unclear and expensive since much of the investigatory work of the OFT is duplicated by the MMC. Moreover, the authorities do not make detailed policy statements nor are they bound by precedent. Finally, these critics say the government has too much influence.

These critics, joined by the Labour party, want clearer laws defining both the responsibilities of the authorities and the law. For example, the MMC is required by law to judge issues by what is in "the public interest". A former senior competition policy official says it would be better to replace this with the narrow aim of promoting competition. The government could intervene in the few cases where other matters were relevant, such as national security.

The government has been able to play down demands for reform because competition issues have generated little public interest. This week's noisy events will make that considerably more difficult.

A friend of industry

In the three years since Mr Graeme Odgers took over as chairman of the Monopolies and Mergers Commission, he has often been accused of putting the interests of industry ahead of those of consumers.

Given his background – Tarmac, British Telecommunications and Alfred McAlpine preceded by a spell running the Department of Industry's industrial development unit in the mid-1970s – it is hardly surprising that he holds pro-industry views.

Indeed, when appointed to the MMC by Mr Michael Heseltine, he declared with some pride that he was "four square" with the then trade and industry secretary's views on competitiveness, privatisation and deregulation, praising him as "a great champion and advocate of British industry."

But Mr Odgers rejects outright the criticism by consumer organisations that the Commission under his leadership has ignored the interests of consumers.

The case against him is that in a series of inquiries – into fine fragrances, ice-cream and compact discs – the MMC has shown far too much respect for the views of the industry under investigation. In the November 1993 report on fine fragrances, for example, the Commission was criticised for concluding that "snob value" – high prices and exclusivity – were more important to consumers than value for money, so allowing leading perfume houses to continue refusing supplies to cut-price retailers.

Mr Odgers' response is that the Commission is obliged to take into account the consumer interest under the Fair Trading Act when judging where the public interest lies – and therefore always does so.

Mr Odgers is also regarded as opposed to the kind of root-and-branch reform of competition policy advocated by Sir Bryan Carsberg, the former director-general of fair trading. In fact, Mr Odgers says reform of UK legislation on restrictive trade practices is long overdue in order to take a tougher line on industry cartels.

His one sticking point is over the issue of merging the MMC with the Office of Fair Trading and reducing the role of politicians. He firmly believes the UK's tripartite system, leaving the final say to the politicians, works well and should not be tinkered with.

That belief is unlikely to change, even as he contemplates the latest rebuff handed out to him on Wednesday by Mr Ian Lang.

Robert Rice

· O B S E R V E R ·

America's big killings

■ Sotheby's New York auction of Kennedy memorabilia is not the only example of a presidential fire sale. Next month, Washington's Sidwell Friends school – attended by Chelsea Clinton – is holding a scholarship fundraising dinner.

The First Daughter has arranged that one of the prizes up for bids is a round of golf with her father at the Army and Navy Country Club. The organisers won't estimate what the lucky threesome will pay for the privilege, only suggesting that the opportunity is "priceless".

At least Bill Clinton, an expansive player, takes his time over a round. Former president George Bush would regularly sprint round 18 holes in under two hours, exhausting his partners and the protective secret service. But, unlike this week in New York, wealthy celebrities and *hoi polloi* cannot expect to get lucky. The school auction is limited to members of "the Sidwell community".

And if you're still feeling depressed at being unable to muster the outrageous sums required to secure some Kennedy memorabilia – don't panic. Observer has a substitute. A US judge has just permitted an auction of the refrigerator, drill-bits, hammers and other paraphernalia used by serial killer Jeffrey Dahmer – who was himself murdered in jail in 1994 – on some of his 17 victims, to raise money for their families. Only in America.

Do as I say

■ There are worthy calls for greater transparency in financial information in the Commission des Opérations de Bourse fat annual report, out yesterday. Not that the French financial markets watchdog abides by such strictures itself; its own accounts run to a meagre few paragraphs.

But then 1995 was not a year to dwell upon; income fell nine per cent, while expenditure grew two per cent, even before the FFr6.7m doled out in the course of hosting the International Organisation of Securities Commissions conference.

Big game cover-up

■ If you own any *really* large fig leaves, rush them to Los Angeles, where officials have been asked to cover two nude statues at the Los Angeles Coliseum for tomorrow's start of a 42-state, cross-US relay of the Olympic flame.

According to the Los Angeles Times, the cover-up order came from the Atlanta Committee for the Olympic Games, which is organising this summer's Olympics as well as the 84-day relay of the flame that finishes inside Atlanta's own Olympic stadium during the July 19 opening ceremony.

Coliseum officials insist that the anatomically correct statues are part of the coliseum's Olympic history. Representing a male and a female athlete, they were erected for the 1984 summer Olympics.

But officials in Atlanta fear that TV viewers of tomorrow's ceremony at the coliseum would find the nudity offensive. "They thought it was an indecent way to start their torch relay," a source said.

Lamb to slaughter

■ Meanwhile, the Eurobeef '96 exhibition in Brussels – which has everything for the hi-tech butcher – has "been dead this week," according to Roger America, of the meat processing machine-maker Piment. There have been 6,800 visitors in the first four of the exhibition's five days, against nearly 11,500 in 1993, when the show was last held. America blamed the recession and the mad cow crisis. "It has certainly not helped. There is no confidence," he said, rather sheepishly.

Tongue in cheek

■ You've had mad cows and the threat of world plague, mad cows and collapsing governments; now it's mad cows and political correctness.

Franz Fischler, the EU commissioner for agriculture, got howls of laughter from fellow commissioners at their weekly get-together on Wednesday when, in explaining the EU's complicated intervention system, he made a true, but nevertheless politically incorrect statement: that grown bulls are worth much more than old cows.

Fischler's assertion was met with cries of "Kalanke, Kalanke", a reference to a recent European Court of Justice ruling that rigid quota systems to promote women were illegal.

Luck of the Irish

■ Dan Tully, head of Merrill Lynch, admits to knowing next to nothing about horses, despite being on the board of the New York Racing Association. Indeed he's not keen to remember just how many times he's lost money betting on a horse simply because the name included the word "Tipperary".

On Tuesday his luck turned at the Punchestown races near Dublin. He picked the winner in the 6.10 Tom O'Leary Memorial, at the comfortable odds of 7 to 1. The horse's name – Dan's Your Man, ridden by a Mr P Cashman, and trained by a Mrs A Cashman. For a Wall Street banker the conjunction was just *too* tempting.

The Financial Times

50 years ago

Japan bonds service

Tokyo, 25th April. Officials here expressed surprise at the statement attributed to Viscount Shibusawa, Minister of Finance, in a London report, that provisions equivalent to £60millions had been made for payment of Japanese external debt service. The report was to the effect that, even during the war, money had been set aside to meet this commitment and was still intact. One official said that the figure mentioned was extremely large. So far as he knew, nothing was available for debt service.

U.S. copper prices

The American Mining Congress has asked for a legislative increase in the ceiling price of copper, lead and zinc through an amendment to the Price Administration Extension Bill. The secretary of the Mining Congress, Mr. Julian D. Conover, told the Senate Banking and Currency Committee that this amendment is necessary to correct discrimination against the non-ferrous metal industry. In effect, the proposal would increase price ceilings on such metals and decrease the present premium payments made by the Government.

FINANCIAL TIMES
Friday April 26 1996

Failed IRA bomb puts ceasefire hopes on hold

By John Kampfner in London and John Murray Brown in Dublin

Ministers yesterday prepared themselves for a possible spate of IRA "spectaculars" after it was disclosed that a bomb planted on Hammersmith Bridge in London could have been the biggest high explosive device in Britain.

Wednesday night's bomb contained more than 30lbs of sophisticated high explosives, almost certainly Semtex. However, there was only a small explosion, probably of the detonators, as the main device failed to go off.

Police cleared the area after a coded warning was received and there were no injuries. Experts said Hammersmith Bridge might have collapsed had the bomb been detonated properly causing massive disruption to traffic in west London.

A Scotland Yard official said: "This is probably the biggest amount of high explosive ever to be placed on the mainland. These devices would have caused a very large explosion and there's no doubt that they were made to kill, cause injury and major structural damage."

Government ministers are aware that, although Sinn Féin have agreed to take part in elections next month to a Northern Ireland forum, there are no signs of the IRA restoring the ceasefire.

MPs believe that even if a ceasefire was declared, it could be a tactic to facilitate Sinn Féin's entry into all-party talks, which are due to begin on June 10. They also suspect that if the negotiations break down the IRA would return to violence.

Mr John Major reiterated the line agreed by the UK, Irish and US governments that Sinn Féin would not be allowed to join the talks unless a ceasefire is called.

Although all parties in the Irish parliament condemned the bombing, the first signs of disagreement within the government emerged over Sinn Féin's role in the talks.

Mr Fergus Finlay, a senior adviser to Mr Dick Spring, deputy prime minister, said negotiations without Sinn Féin "would not be worth a penny candle".

Mr John Bruton, prime minister, said after a telephone conversation with Mr Spring: "The talks will go ahead, whether Sinn Féin are allowed to take part or not."

The bomb was the sixth incident in London since the IRA ended its 18-month ceasefire by killing two people on February 9 in an attack in Docklands. The latest blast coincided with the 80th anniversary of the Easter Rising in Dublin.

It was also three years since the Bishopsgate bombing in London's business district.

Farmers in UK win right to challenge beef ban

By John Mason and Deborah Hargreaves in London and Caroline Southey in Brussels

The UK's National Farmers Union yesterday won the right to challenge the European Commission's worldwide ban on British beef exports in the European Court.

The NFU's claim that the ban was invalidly introduced could be heard within two or three months, the union said. If the court rules in the NFU's favour, British farmers could mount further legal actions to seek millions of pounds in damages from the Commission.

Meanwhile, Mr Jacques Santer, president of the EU Commission, yesterday welcomed the arrival of proposals by the British government for a selective slaughtering policy.

These were sent on Wednesday evening. However, Mr Santer added that steps to resolve the crisis over BSE were "a matter for the Council of Ministers".

Mr Douglas Hogg, UK agriculture minister, could travel to Brussels as early as today to discuss the plan with Mr Franz Fischler, EU commissioner for agriculture, ahead of a meeting of agriculture ministers in Luxembourg on Monday and Tuesday.

A Commission official warned against expectations of an early lifting of the worldwide ban on British beef: "Mr Fischler has made it clear he will not accept any preconditions."

Exporters say that a lifting of the ban is largely theoretical in any case as the markets covered by the ban are unlikely to start buying British beef again.

"Lifting the export ban is purely a cosmetic exercise. It's absolute nonsense. Those countries will not dare to buy British beef again for a long time," said Mr Nik Askaroff, managing director of ADM group, one of the UK's largest exporters.

A UK High Court judge yesterday approved in principle a request from the NFU, backed by a number of companies associated with the beef industry, for the case to be referred to the European Court and to be dealt with urgently.

The NFU move was supported by the UK Ministry of Agriculture and Customs & Excise. Lawyers for the two departments agreed with the NFU that the case was an appropriate one to go to the European Court.

The NFU claims the Commission misused its powers by introducing the ban to allay consumer concerns rather than to protect the public from potential health hazards.

It also charges that the ban was disproportionate given the safety measures introduced by the British government and it asserts that the Commission had no power to extend the ban outside the EU.

THE LEX COLUMN

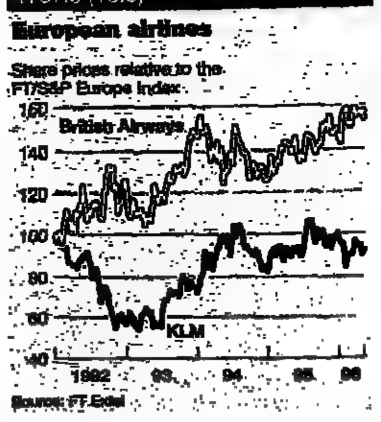
Maintaining altitude

Just as the notoriously volatile airline sector appeared to be steering a steady recovery course, a blast of cold air has caused a wobble. Could the top of the cycle already be in sight? Earlier this week, the International Air Transport Association (Iata) warned airlines that their profits would take a nosedive if they did not stem the growth in aircraft capacity, which is currently outstripping rising demand. Martinair, a unit of KLM, went further, suggesting that a cyclical downturn may be imminent.

Of course, the sector's record for crash landings is not encouraging. However, such doom-mongering is probably designed to avert catastrophe rather than signal it. Iata expects traffic to grow by 8.1 per cent this year against a capacity increase of 8.6 per cent. But this gap looks sustainable, given the lag in aircraft orders as volume has recovered, and the industry's long-term replacement needs. Furthermore, strong volume increases have caused competition to abate, so that even US airlines are doing the unthinkable – increasing fares. With business travel growing strongly, a further rise in yields across the industry this year looks manageable.

British Airways, with its highly effective yield management system, looks particularly well placed. And after yesterday's slip in its share price, it offers reasonable value. BA shares are trading at a slight discount to the market, yet its earnings growth this year and next should be ahead of the market average of 10 per cent.

FT-SE Eurotrack 200: 1737.5 (+5.3)



Mediaset

The decline in Mr Silvio Berlusconi's political fortunes will not help plans for a public offering of his television empire, Mediaset, in June. His ability to influence the regulatory regime must have diminished with his political power. And while a referendum last year supported Mediaset's continued domination of Italian commercial TV, there is a constitutional court judgment that could force Mediaset to sell one of its three channels. A forced auction would not get the best price, and Mediaset would have to undergo extensive restructuring to bring its costs down. Finally, there are the implications of Mr Berlusconi's trial for allegedly bribing tax police – he may no longer run Mediaset, but he owns 72 per cent of it, so an adverse judgment would damage the company.

Even without these problems, investors would clearly demand that Mediaset is valued at a hefty discount to its international peers. Its TV profit margins are comparatively high, and while its comfortable duopoly looks safe for the moment, there is little scope for improvement.

This could present an opportunity to buy in on the cheap, but only if Mediaset can use its TV network to make a push into telecoms. The group is planning to compete for corporate telecoms customers and is bidding for Italy's third mobile telecoms licence. Much will depend upon Mediaset's ability to attract strategic telecoms partners, and it is already in discussions with British Telecom. But partners may be deterred by the fact that as an opposition politician – or even a retired politician – Mr Berlusconi looks vulnerable to government vitriol.

German telecoms

Deutsche Telekom is such a cumbersome elephant that the soon-to-be liberalised German telecoms market seemingly offers rich pickings to new entrants. But with powerful domestic groups including Veba, Mannesmann, Thyssen, Viag and RWE all planning to pile into the market, the ensuing cut-throat competition may make profits for nobody. Hence, the fevered jockeying for position. Today's deadline for final bids to link up with Deutsche Bahn, the federal railway which owns a large telecoms network, may narrow the field. Thyssen and Mannesmann, in particular, need access to such a network because they have little infrastructure of their own, unlike the other three which have telecoms networks attached to their power utilities.

The merger talks between British Telecom and Cable and Wireless may also cut the number of serious challengers, as each has teamed up with different German partners. BT has an alliance with Viag and RWE; C&W one with Veba. If the British groups merge, they will not pursue two separate German alliances. But since a grand alliance involving all three German groups would be a managerial nightmare, it is likely at least one will be dropped. RWE is the most vulnerable, given that it has signed only a letter of intent with BT; its discreet search for alternative allies is therefore hardly surprising. By contrast, Viag's legal agreement with BT should secure it some sort of role. But the dominant partner looks like being Veba. Not only is it twice the size of RWE and Viag; it already owns a 10.5 per cent stake in C&W.

UK power

Confusion reigns over the British government's attitude to foreign bids for a generator such as National Power. As the government rightly points out, its golden share gives it the power to prevent a bid. But faced with a convincing proposal, nobody knows whether ministers would really seek to block it – or even whether they think they ought to.

The government probably has [illegible] idea either. Politically, [illegible] through a controversial foreign [illegible] doubtless unattractive. But blocking it, in the face of strong pressure from investors, would not be easy either – especially since ministers would be hard-pressed to think of an excuse. There is no reason, other than Little Englander sentimentality, why a closely-regulated company like National Power should not be run from Atlanta, Georgia.

Ah yes, some argue, but there is no obvious benefit to the British economy either – so why not keep our treasures at home? The answer is that protection from takeover is a recipe for lax disciplines on management: shareholders, and ultimately customers, are the victims.

For the government, sitting on the fence is ideal. The mere existence of the golden share helps deter bidders – without ministers having to stick their necks out. But however convenient it may be to refuse to have a policy, there is no justification for it. Southern Company would do everyone a service if it challenged ministers publicly to say whether they would block a bid. That way, the government could not get away with muffled private hints: if it wants to go for the protectionist option, it would have to come clean and admit it.

Additional Lex comment on ICI, Page 23

Poor crops hit grain prices

Continued from Page 1

where half of all wheat production – about 32m tonnes – is exported.

Countries such as China and Egypt, which delayed imports of grain in the hope that prices would fall, have been caught out. Mr Richard Mayhew, grains analyst at GNI brokers in London, said traders were noting three times as many export orders for new crop wheat from the US as the same time last year.

The United Nations Food and Agriculture Organisation in Rome, which monitors world markets, has called the grains situation "precarious". The organisation said the increase in prices would add $3bn to the food bill for poorer nations this year.

Panic-buying has run through the Chicago futures markets as many traders find themselves with no grain to deliver against contract obligations. Warehouses in Chicago and Toledo, Ohio, which hold grain to be delivered against futures contracts contain only 1m bushels of wheat compared with the 35m bushels of outstanding business in the current futures contract.

The trading activity pushed the May wheat futures contract to its 20-cent daily limit yesterday when it hit $6.96 a bushel. Maize also hits its 12-cent daily price rise to $4.99 a bushel. Prices for soyabeans and oats were also pulled up alongside the other grains.

EU rules 'hinder' chemicals groups

By Jenny Luesby in London

The competitiveness of European chemical companies is being hindered through excessive European Union regulation of the development of new chemicals, industry leaders say.

Companies such as Bayer and BASF of Germany, and ICI and Laporte of the UK, say that sales have been lost, contracts made impossible and innovation suffocated by the seventh amendment to the directive controlling dangerous substances.

The current legislation is "out of all proportion to the risks involved", according a report from an Anglo-German working party chaired by Mr Jurgen Strube, BASF chairman.

Although the directive is aimed at dangerous substances, it also covers any new substance invented since 1981, ranging from new forms of sugar to novel coloured dyes. It also covers each stage – typically up to 10 – in a chemical's transformation into a consumer product.

The directive requires that each time an evolving chemical is sold, it must go through a series of tests, including fertility tests on rats and assessments of the accumulation of the chemical in fish and plants.

Companies can only avoid this repeated registration by carrying out the entire development process in-house.

As a result, research-driven companies are being forced to tie up capital in producing basic raw materials, and speciality chemical companies are losing essential business, says Mr David Campbell, operations director for Laporte Organics.

The UK's Health and Safety Executive says it is sympathetic to these objections, and is trying to negotiate a more appropriate set of rules.

The chemicals industry is also set to launch a campaign seeking a redrafting. As a precursor to this, the UK's Chemical Industries Association attended a meeting in Brussels this week at which it outlined a number of cases where companies had been handicapped.

One company had allegedly lost 7 per cent of its sales due to a hold-up in getting an essential raw material; another reported that registration costs were knocking out two years' worth of profits on each contract it took; and a third reported three contracts lost overseas in the last year as a result of the registration requirements.

In the US, companies are required to provide a much narrower range of data on new products to the Environmental Protection Agency.

US Congress set to approve budget at last

Continued from Page 1

government shutdowns in November and January. In the process he rallied Democrats behind the preservation of the social safety net as never before in his term.

That is reflected in the large lead he now holds over Senator Bob Dole, the majority leader, for the presidency, in the unpopularity of the Speaker and in the current national standing of the two parties.

The Democrats now resemble the Republicans of a year ago – remarkably united and responding to their congressional leaders, Senator Tom Daschle and Congressman Richard Gephardt, much as Republicans did to Mr Gingrich in the first flush of his "revolutionary" era.

Current polls give the Democrats a chance in November of regaining the control over the Senate or House, lost in the Republican landslide of 1994.

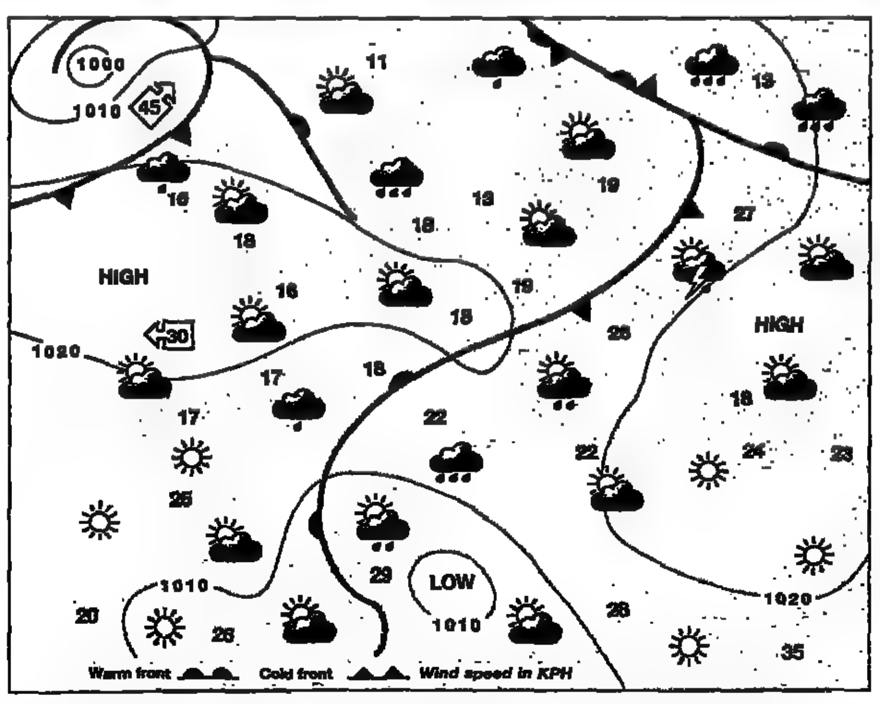
FT WEATHER GUIDE

Europe today

The northern British isles, the Netherlands and Germany will be overcast in the morning and showers are likely. Further south, showers will develop in south-east France and north-east Spain. Over southern Spain, temperatures will rise above 25C. Southern Germany, the Czech Republic and Poland will be cloudy with sunny spells. Cloudy skies will prevail in southern parts of the Alps. Across northern Italy and the Balkans there will be occasional rain. In Romania and western Russia it will be mostly cloudy with rain. Southern Europe will be dry and sunny.

Five-day forecast

During the weekend, southern Europe will be unsettled with cloudy skies and showers. After the weekend showers will develop in south-east Europe. North-western parts of the continent and the UK will have sunny periods, while Northern Ireland and Scotland will have occasional showers. Northern parts of the continent will stay dry with some sunshine.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	35
Accra	fair	33
Algiers	rain	14
Amsterdam	cloudy	15
Athens	fair	22
Atlanta	thund	24
B. Aires	fair	18
B.ham	fair	17
Bangkok	thund	37
Barcelona	shower	18
Beijing	sun	27
Belfast	drzzl	16
Belgrade	cloudy	24
Berlin	cloudy	16
Bermuda	fair	25
Bogota	cloudy	20
Bombay	sun	32
Brussels	fair	18
Budapest	rain	21
C.hagen	shower	11
Cairo	sun	29
Cape Town	sun	22
Caracas	fair	31
Cardiff	cloudy	15
Casablanca	sun	20
Chicago	windy	8
Cologne	fair	19
Dakar	sun	25
Dallas	fair	26
Delhi	sun	40
Dubai	sun	36
Dublin	cloudy	16
Dubrovnik	cloudy	22
Edinburgh	drzzl	17
Faro	fair	23
Frankfurt	fair	20
Geneva	cloudy	20
Gibraltar	fair	19
Glasgow	rain	16
Hamburg	rain	14
Helsinki	fair	8
Hong Kong	fair	27
Honolulu	fair	30
Istanbul	fair	20
Jakarta	cloudy	32
Jersey	sun	15
Karachi	sun	35
Kuwait	sun	31
L. Angeles	sun	32
Las Palmas	cloudy	24
Lima	sun	24
Lisbon	fair	24
London	fair	19
Lux.bourg	fair	18
Lyon	cloudy	20
Madeira	rain	19
Madrid	sun	21
Majorca	rain	19
Malta	fair	19
Manchester	fair	17
Manila	fair	34
Melbourne	shower	20
Mexico City	fair	27
Miami	fair	30
Milan	rain	19
Montreal	rain	14
Moscow	rain	9
Munich	fair	20
Nairobi	fair	28
Naples	rain	23
Nassau	fair	29
New York	rain	20
Nice	rain	20
Nicosia	sun	22
Oslo	cloudy	12
Paris	sun	19
Perth	sun	25
Prague	fair	18
Rangoon	cloudy	35
Reykjavik	windy	7
Rio	fair	27
Rome	cloudy	22
S. Frsco	sun	25
Seoul	fair	24
Singapore	shower	31
Stockholm	rain	9
Strasbourg	sun	20
Sydney	fair	23
Tangier	fair	22
Tel Aviv	sun	27
Tokyo	sun	23
Toronto	cloudy	15
Vancouver	shower	12
Venice	rain	18
Vienna	cloudy	20
Warsaw	fair	18
Washington	rain	24
Wellington	fair	16
Winnipeg	sun	4
Zurich	fair	19

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FINANCIAL TIMES
COMPANIES & MARKETS
Friday April 26 1996

IN BRIEF

Daimler-Benz sees turnround in 1998

Daimler-Benz, Germany's largest industrial company, forecast a move from a DM6bn ($3.94bn) net loss last year into a DM6bn operating profit in 1998. Page 18

Bayer cautions despite 'good start'
Bayer, the leading German chemicals group, reported a 14 per cent in pre-tax income for the first quarter to DM1.16bn through productivity increases. But warned that "economic uncertainty" in several European countries, especially Germany, was causing concern. Page 19

US airline results continue steep rise
US airline results have begun to fall into a pattern. Each quarter, analysts produce forecasts of big increases in profits and when the results come out, the figures surpass even the most optimistic expectations. Page 20

European pricing move holds back P&G
The cost of switching to "everyday low pricing" in Europe held back Procter & Gamble's European profits growth in its fiscal third quarter to March, the US consumer goods company reported. But a strong performance in the US helped raise net profits 22 per cent to $760m. Page 21

Asiasat considers float to refinance loans
Asia Satellite Telecommunications (Asiasat), the Hong Kong-based satellite consortium, said it was considering floating as a way of refinancing loans of about US$220m. Page 22

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Rheinmetall Pfd	186	+	8
Varta	293	+	11
Falls			
Aachen Mch	800	–	22
Bankges Berlin	312.7	–	7.3
Linde	960	–	28
Linotype	113	–	4.5
NEW YORK ($)			
Rises			
RMI Titanium	21⅛	+	3
Storage Tech	31⅞	+	3¼
Sturm Ruger	40⅞	+	3¼
Utd Transmed	28	+	3
Wyle Elec	40⅛	+	2⅜
Falls			
Renal Treat	27⅞	–	2⅜
LONDON (Pence)			
Rises			
Anagen	55	+	8
Chiroscience	400	+	117½
Clyde Blowers	258	+	28
Frost Group	144	+	17
Hadoch Johnson	85½	+	11
Perpetual	2345	+	122
TORONTO (C$)			
Rises			
Dalmine Corp	22.1	+	2.35
Domco Inds	12	+	1
Franco-Nevada	[illegible]	+	6.05
Gennum Corp	[illegible]	+	2.85
Metroworks	17.7	+	1.2
Falls			
Stackpole	11.5	–	0.85
PARIS (FFr)			
Rises			
Club Med	509	+	28
Eridania B-S Ci	860	+	[illegible]
Pechiney A	245.5	+	18.5
Suez	218.8	+	9.8
Falls			
Accor	725	–	46
Worms Cie	267.5	–	19.6
TOKYO (Yen)			
Rises			
Ando Constn	875	+	30
Hitachi Koki	1180	+	80
Koito Mant	1050	+	101
Miyaji Iron	703	+	33
Yaohan Japan	980	+	47
Falls			
Seibu Railway	5960	–	250
HONG KONG (HK$)			
Rises			
Shenon Metals	0.87	+	0.1
Theme Intl	2.45	+	0.15
Falls			
Chengdu Telecom	1.3	–	0.32
Dah Sing Fin	21	–	1.4
Furama Hotel	11.25	–	0.75
Luoyang Glass	1.82	–	0.305
BANGKOK (Baht)			
Rises			
Inoue Rubber	122	+	49.5
Thai Rubber	28.25	+	2.5
Trang Sin Food	33.25	+	3.0
Falls			
Textile Prestg	40	–	11
Thai Danmark	39	–	4
Thai Fish	58.5	–	6

New York and Toronto prices at 12:30.

Hitachi hit by charge for pensions

By Michiyo Nakamoto in Tokyo

Hitachi, the Japanese electronics maker, yesterday said it would incur a Y21.7bn ($205m) extraordinary parent pre-tax loss in the financial year just ended because of a pension account deficit and restructuring costs.

The loss – the net of extraordinary losses and an extraordinary gain – reflects the pressures facing Japanese companies, particularly from the sluggish state of consumer electronics markets worldwide.

Hitachi will take a charge of Y29bn to cover a pension account deficit, in accordance with Japanese government rules.

The additional contribution reflects the difficult state of Japanese pension funds, which are expected to be hit by large repayments to an ageing population in the years ahead, while investment returns have been moderate.

The company is also incurring a Y21.9bn loss for restructuring its consumer electronics business in Europe, where Hitachi has had a tough time. Hitachi said labour costs were high, especially in Europe, which was no longer a growing market.

Against a combined extraordinary loss of Y50.9bn, Hitachi is realising an extraordinary gain of Y29.2bn by selling marketable securities, bringing the final figure to Y21.7bn.

The impact is expected to be a 10 per cent reduction in the company's forecast of parent net profits of Y77bn in the 12 months to the end of March.

However, sales and recurring profits, before extraordinary items and tax, are likely to be higher than the forecasts of Y4,000bn and Y120bn respectively, due to strong sales of semiconductors.

In contrast to the difficult consumer electronics market, strong semiconductor sales are propelling the company to increase investment in that area.

Hitachi said it would build a facility in Japan to manufacture advanced 64-megabit dynamic random access memory chips at a cost of Y120bn.

The new facility, scheduled to come on stream in 1998, would have the capacity to manufacture 30,000 eight-inch wafers, Hitachi said.

Hitachi is also investing in a joint venture facility with Texas Instruments in the US to produce both 16-megabit and 64-megabit D-Rams.

The company estimates total investment in semiconductors amounted to Y180bn in the year to March 1996 and is likely to rise to about Y200bn in the current year.

The company, which is among the three largest makers of memory chips, believes recent weakness in the semiconductor market is temporary.

The market was valued at Y14,500bn last year and is expected to grow to Y30,000bn by 2000, according to industry estimates.

Mexican media group falls into loss

By Leslie Crawford in Mexico City

A sharp rise in debt-servicing costs, and a decline in advertising revenues, cable subscriptions and magazine sales led Grupo Televisa, Mexico's dominant media group, to report a net loss of 396m pesos ($53.5m) in the first quarter of 1996.

The results showing a fall from a profit of 151m pesos in the same period last year surprised analysts, particularly the high interest charges on its $1.1bn debt which increased 56 per cent to 501m pesos. "The results are very negative," said Mr Shayne McGuire of ING Barings in Mexico City. "They reflect Televisa's dependence on short-term finance during 1995." However, Mr McGuire noted Televisa had restructured virtually all short-term debt into a $500m eurobond this month, which will diminish interest expenses.

Televisa executives say part of the debt will be retired with the forthcoming sale of Televisa's 40.5 per cent stake in PanAmSat, a private satellite operator, which could raise up to $1.3bn for Televisa.

The media group's net sales fell 8.9 per cent to 2.04bn pesos. Television revenues, which account for more than half of Televisa's total income, were slashed by the advertising cutbacks of recession-hit companies, many of which opted for the cheaper rates offered by Televisión Azteca, a rival network.

Azteca, a privately-owned company which plans to seek a listing on the Mexico City stock exchange later this year, announced on Wednesday a 16 per cent real increase in sales during 1995 to 654m pesos. In addition, it said advertising bookings for 1996 rose 123 per cent – an indication of the inroads the smaller network is making into Televisa's advertising market.

Televisa's revenues from television advertising and the sale of programming abroad fell 4.9 per cent in the first quarter to 1.15bn pesos.

Its publishing division, which axed a large number of magazine titles last year, saw sales drop 19 per cent to 350m pesos. Cable subscription cancellations caused revenues in the cable division to fall 19 per cent to 84.6m pesos. Televisa's record company, however, increased sales 8.1 per cent to 199m pesos.

There was also a one-off charge of 216m pesos to cover the costs of about 500 redundancies in the first quarter. Since mid-1994, Televisa has cut 14.4 per cent of its 23,600-strong workforce, which the company says has brought total savings of at least 650m pesos.

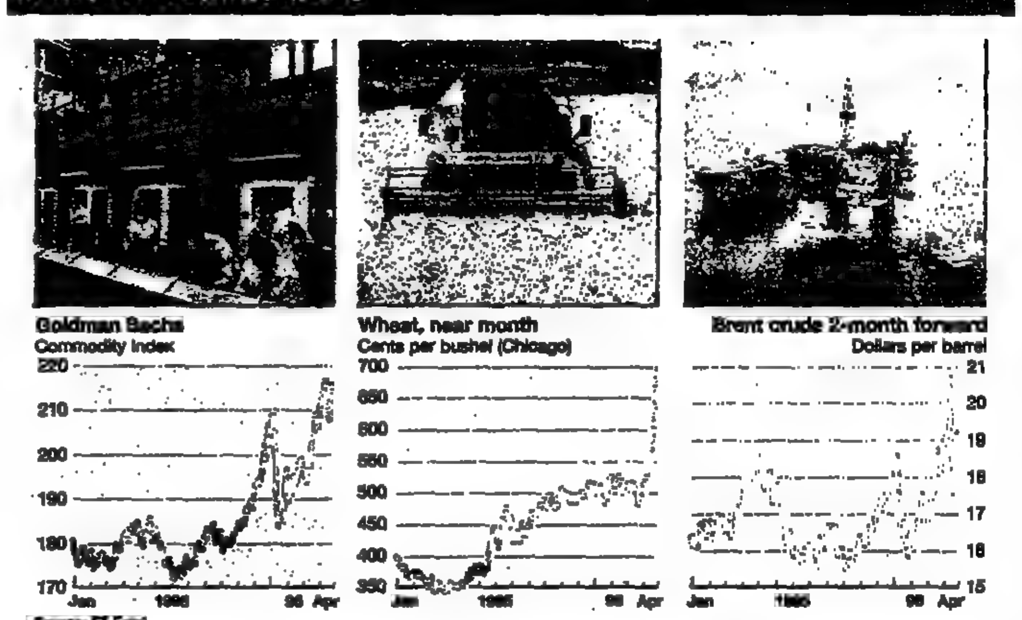
Televisa shares, which shot up 25 per cent after the PanAmSat sale was announced earlier this month, fell about 4 per cent by mid-session to 115.30 pesos.

TV terrier, Page 21

Deborah Hargreaves on a 'manic' week in the commodity markets

Squeeze on grain and oil puts the traders in clover

A lift for commodities



Source: FT Extel

This week's surge in grain prices has seen the Chicago futures markets hitting record highs. Prices are soaring as world stocks touch postwar lows and traders describe the markets as "manic".

The commodity price rise is not restricted to grains: oil reached a five-year peak in early April and several commodities indices – albeit heavily weighted in agriculturals and oil – have set records.

The big price rises in the oil and grain markets are caused largely by plunging stock. Wheat stocks are at their lowest point since 1948 and oil stocks touched a 19-year low this month. Stock levels have been falling for most commodities as poor weather, corporate cost-cutting and drops in production have combined to drive them down. Metal prices have so far been sluggish, but analysts say stocks are low and – with the exception of copper – prices could rise this year if economic growth stimulates demand.

"It is the strong economic growth in Asian countries outside Japan, and the US which is driving the energy and agriculturals, as opposed to Europe and Japan where the economies are more metals-intensive," said Mr Steve Strongin, director of commodities research at Goldman Sachs in New York.

"If the European and Japanese economies are stronger later this year, the metals markets will pick up too," he said.

But many analysts are wary of interpreting the recent strength in the grains and energy markets as a sign of a general upwards trend for commodities.

"Everyone likes to try and find a unifying factor when commodities are moving, but there are really two distinct groups. Prices for the industrial commodities are dependent on economic growth, but foodstuffs are more related to population growth and the weather," said Mr Lawrence Eagles, commodity analyst for GNI in Brazil.

Analysts say so far the implications of commodity price rises for inflation are not great since oil prices look like slipping again and food prices have been so low for many years they could rise much further and still have little effect on consumer prices.

High grain prices will have an adverse effect on poorer, food-importing nations which already spend a disproportionate amount of their income on food. They are likely to increase their demand for food aid.

Grain stocks have been falling sharply for the past year after droughts and supply disruptions in important producing countries such as Australia depressed last year's harvest.

A bumper harvest this year could do much to alleviate supply tightness, but poor weather patterns across the US have led traders to fear for this year's crop.

Reports from the US Department of Agriculture on Monday that 45 per cent of the winter wheat crop was in a "poor to very poor" state sparked this week's run-up in prices. Some farmers are digging up winter wheat and replacing it with spring planting.

Crude oil markets have been similarly affected by a sharp drop in stocks. US stocks are reported by the American Petroleum Institute at 297m barrels – 40m barrels lower than a year ago and close to a historic low.

Cold weather across the northern hemisphere early this year drove an increase in demand for energy – heating oil and kerosene as well as crude. This in turn led to a run-down in stock levels with companies caught short when the winter ended.

Mr Peter Bogin, oil analyst at Cambridge Energy Research Associates in Paris, believes companies are tending to carry lower stocks of oil as part of a cost-cutting exercise. "This makes the market more susceptible to price spikes as these companies replenish stocks on a short-term basis."

Low wheat stocks and continued rising demand for grain is expected to keep the grain markets tight for at least the next year. The International Grains Council, which monitors the markets, yesterday projected only a small recovery in wheat stocks at the end of the 1996 harvest to 94m tonnes from the current level of 93m tonnes.

But oil prices have already begun to slip back from their highs earlier this month and traders say the traditional low demand season for energy in the second quarter will bring supply and demand back into balance.

The grain market shows the most serious imbalance. In the 1970s, during the last great drop in grain stocks, one of the solutions to shortages was to increase the use of chemical fertilisers and irrigation techniques. However, these are now much more widely used than then.

Mr Strongin believes grain prices need to rise a lot further in order to ration demand effectively. "Real prices of agricultural commodities have been falling for the past 40 years."

He also judges that spare capacity for increased planting – such as the land set-aside in the European Union – is a lot lower than many people think. "In terms of global demand, it is trivial," he said.

The United Nation's Food and Agriculture Organisation in Rome points out high grain prices are leading to increased food insecurity in several low-income, food deficit countries. Soaring Chicago markets may mean a bonanza for some traders, but they lead to a bigger food bill for importing countries.

Mobile phones help Telefónica rise

By David White in Madrid

Telefónica, the partly state-controlled Spanish telecommunications group, yesterday released advance figures for its first-quarter results showing a rise of 20 per cent in consolidated net profit to Pta24.08bn ($190m).

The figure, which compared with Pta20.02bn in the corresponding period last year, was higher than analysts' forecasts.

Consolidated operating income, including Telefónica's Latin American interests, rose 10.5 per cent to Pta447.7m.

Total lines in service were almost 7 per cent up on last year at 24.48m and the number of mobile phone customers in Spain shot up 148 per cent to 1.2m following the launch of a new cellular service last summer. The total of mobile phone clients for the group as a whole more than doubled to 1.7m.

The company provided no further figures ahead of the publication of full quarterly results next month.

The profit growth follows an 18 per cent rise in consolidated net earnings last year to Pta133.2bn and an increase of just under 16 per cent at parent company level to Pta106.2bn.

As part of an effort to bring Spanish telephone rates into line with those of other operators, Telefónica has proposed to reduce tariffs for international calls by an average of 13 per cent, which together with reductions made last year would mean a 25 per cent cut. The change is awaiting government approval once a new centre-right administration takes office.

The future of the state's remaining 20 per cent stake in Telefónica has come into question during the Popular Party's negotiations to form a government with the backing of regional groups.

Its main partner, the moderate Catalan nationalist party Convergència i Unió, is pressing for full privatisation and steps to complete the liberalisation of the sector.

The company's monopoly in basic telephone services in Spain is due to be broken up in 1998.

A "hard core" of banking shareholders, formed last year between the Barcelona-based savings bank La Caixa, Banco Bilbao Vizcaya and Argentaria, has strengthened its interest in the company to a combined total of about 11 per cent.

Argentaria recently raised its stake from 2.5 per cent to 3 per cent.

Last autumn the state reduced its participation through a public share offering of 12 per cent of Telefónica's capital.

Direct Line founder raises $215m for US assault

By Ralph Atkins, Insurance Correspondent

A new US company set up by Mr Peter Wood, who built telephone-based Direct Line into the UK's largest motor insurer, has raised an initial $215m for an assault on the US vehicle insurance market.

Mr Wood and business partner Mr James Stone, chairman of Plymouth Rock, a Boston-based insurer, plan to launch the venture, Direct Response, next year. They expect it to operate in most states within five years.

The move marks a significant step for Mr Wood, who has transformed the UK personal insurance market. He founded Direct Line 11 years ago with £20m provided by its parent, Royal Bank of Scotland. The group reduced insurance costs sharply by cutting out brokers and their commissions.

Direct Line is now maturing, however. Intense competition from rivals which have adopted its techniques, and bad weather are expected to cut profits by at least half this year, from £112m in the year to last September.

Mr Wood was paid £24m in 1994 to abandon a bonus scheme that paid £18.2m in 12 months. Last year he was paid a salary of £361,000 by Royal Bank.

Mr Wood is committed to spending half his time at Direct Line, but earlier this year relinquished day-to-day responsibility for much of its operations.

He will spend one week in four in Boston and will be vice-chairman of the US venture. He will initially own less than 10 per cent of Direct Response's shares but his stake could grow, depending on results. Mr Stone will be chairman.

Royal Bank will have no financial involvement in the US venture. Under US rules affecting banks' investments in insurance companies, it could have taken a 5 per cent stake but decided a small interest made little sense. Mr George Mathewson, chief executive, said the decision did


Peter Wood: launch next year

not reflect caution about the venture's success: "We have every faith that Peter will do well."

Financing for Direct Response was arranged by Morgan Stanley, the financial services group, in a deal agreed last week. Main investors include Morgan Stanley Capital Partners, one of the most successful private equity units linked to a big Wall Street house, which has targeted insurance ventures.

Direct Response, like its UK counterpart, will sell directly to customers using telephone sales and other techniques – including computer links. But it is likely to find the US market hard to penetrate as insurance companies' tied agents already use telephone sales extensively.

Other backers include Chase Capital Partners. Plymouth Rock, in which Mr Wood has invested about $8m, is also providing launch capital.

Daimler-Benz sees turnround

By Wolfgang Münchau in Frankfurt

Daimler-Benz, the German transportation group, wants to move from a DM6bn ($3.94bn) net loss last year into a DM6bn operating profit in 1998, according to forecasts published yesterday.

The confident forecast suggests Germany's largest industrial group, whose chairman is Mr Juergen Schrempp, expects a generous financial return on the tough restructuring measures it undertook last year.

These included the downsizing at Daimler-Benz Aerospace (Dasa), its dissociation from Fokker, the Dutch regional aircraft subsidiary, and the dismantling of AEG, the industrial subsidiary.

The information was contained in a document outlining the "merger" terms between AEG and its parent group. Under new German disclosure laws, Daimler had to publish a forecast to justify the merger terms, which it put at one Daimler share in exchange for seven AEG shares.

In its forecast Daimler said it hoped to achieve revenues of DM132bn in 1998, compared with DM104bn in 1995.

Mercedes-Benz, the luxury car and truck maker will remain by far the largest contributor to profits. Mercedes expects sales of DM97bn, against DM72bn last year, and a twofold rise in operating profit to nearly DM5bn.

Dasa expects a turnover of DM15bn and an operating profit of DM270m, and Daimler-Benz InterServices (Debis), the financial services and software division, expects sales of DM17bn with an operating profit of DM690m.

Daimler-Benz said the forecasts reflected "conservative expectations which could nevertheless change with global economic developments and other underlying factors, such as most particularly the development of the US dollar exchange rate".

Juergen Schrempp: expects generous return from restructuring

SKF gloomy on outlook as profits slip in first term

By Hugh Carnegy in Stockholm

SKF, the world's leading supplier of roller bearings, blamed weak demand in Europe for a 10 per cent fall in profits in the first quarter and warned that it saw few signs of a resurgence this year.

The widespread use of roller bearings – a component in almost every machine with moving parts – and SKF's global reach makes the Swedish group a useful gauge of economic trends.

SKF said sales in the US had remained strong and were slightly higher in the first three months than in the same period last year, despite a downturn in the US truck industry. "All three main segments – automotive, machinery industry and the after-market – showed similar development," SKF said. It said Asia continued to be a growth market and there were signs of recovery in Latin America.

But the company was gloomier about the outlook in Europe, where its own sales were below levels at the same stage last year in large part due to lower demand from the car industry.

The company said it could not foresee an upturn in the second half which many forecasters are predicting for key European economies.

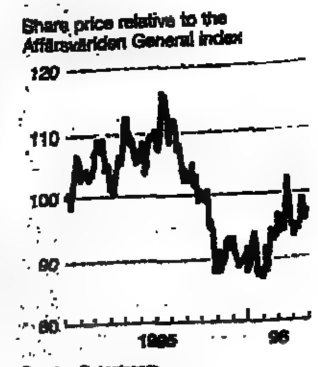
SKF's first-quarter pre-tax profit of SKr811m ($120m) was ahead of market expectations, but well below last year's SKr907m. Net earnings per share fell from SKr5.05 to SKr4.60.

Group sales were down more than 8 per cent from SKr9.7bn to SKr8.9bn. The company said sales were hit by the effects of a stronger Swedish krona, which it said accounted for SKr700m of the fall.

However, sales were up slightly against the last quarter of 1995, when they reached SKr8.5bn, reflecting healthier markets outside Europe.

Profits were higher than most analysts had predicted, chiefly through a fall in the cost of goods sold from SKr6.7bn to SKr6bn.

Sales of roller bearings – by far the biggest division – fell from SKr8.1bn to SKr7.65bn, while the unit's operating profits slipped from SKr731m to SKr706m.



German bank up but holds payout

By Frederick Stüdemann in Berlin

Bankgesellschaft Berlin, Germany's sixth-largest banking group, announced a 25 per cent rise in pre-tax profits in 1995 to DM895m ($588m) but said that because of weak economic growth it would not be increasing its dividend. Post-tax profits rose 12.8 per cent to DM476m.

The total assets of the group, whose main subsidiaries are Berliner Bank, Landesbank Berlin and Berlin Hyp, increased 14.4 per cent last year to DM281.6bn. Net interest income rose 3.5 per cent to DM3.5bn. But there was an 11.5 per cent decrease in net commission income to DM628m.

The group, which was set up two years ago by a merger of Berlin's principal municipal and private sector banks and in which the state of Berlin owns a 56.8 per cent share, said that it was still in a state of a consolidation, which accounted for the unusually high 41.6 per cent increase in administrative expenditure to DM3.29bn.

Mr Hubertus Moser, chairman, warned that the group expected 1996 to be a difficult year. "Our assessment is that risk potential will be considerably higher in 1996 than in previous years, particularly for small to medium-sized firms. Added to that comes over-extended public spending," he said. Because of this the group decided to hold the dividend at DM11 per DM50 share, Mr Moser said.

Furthermore, the latest information from collection agencies suggested that company failures in Germany would increase by 16 per cent this year to about 26,000. This follows an 18 per cent rise in company failures in 1995.

Mr Moser said he expected the "turbulent" business climate in eastern Germany would continue to affect the group's business. In anticipation of this the group is to raise its level of risk provisions from just over DM700m in 1995 to DM800m this year.

Mr Moser said the group was still interested in acquiring an asset management company, despite its failure this year to take over the UK fund management company Gartmore.

The group was also planning to change the nominal value of its shares from DM50 to DM5 in a bid to attract a greater of number of small shareholders.

Interbrew advances strongly and quashes flotation talk

By Neil Buckley in Brussels

Interbrew, the Belgian privately-owned brewer whose $2bn acquisition of Canada's Labatt last year propelled it into the top ranks of world brewers by volume sales, said yesterday it had no plans to float, but confirmed it would sell its non-brewing assets to reduce debt.

Its comments came as it announced a strong increase in 1994-95 profits – although a change in year-end made direct comparisons impossible. Net profits for the 15 months to December 31 1995 were BFr3.46bn ($110m), against BFr2.68bn for the year to September 30 1994.

Turnover rose to BFr81.39bn from BFr48.68bn, reflecting an increase in volume sales from 17.6m hectolitres to 28.8m hectolitres.

The latest figures included a five-month contribution from Labatt. But while it would not give the 12-month figure, Interbrew said results for the year to October 1995 showed a "clear improvement" on the previous year, even before Labatt's contribution.

After a year of aggressive international expansion including not just the Labatt purchase but acquisition of the Dutch Oranjeboom breweries and a recent joint venture in China, there had been speculation Interbrew would seek a flotation. It was formed in 1987 through a merger of Belgium's two main breweries, and is still owned by the founding de Spoelberch, Van Damme and de Mevius families.

But Mr Paul de Keersmaeker, chairman, said flotation was "not on the agenda". "I have never tried to predict the future, but I know that in the short view there is no need to [float] and we really don't think about it," he said.

But Mr de Keersmaeker said Interbrew would divest the non-brewing assets it acquired through the Labatt acquisition, including broadcasting, sport and entertainment, and dairy interests. Mr Jo Van Biesbroeck, chief financial officer, said this was expected to reduce debt from about 50 per cent of total capital to about 40 per cent by the year end.

He hit out at analysts' suggestions after the Labatt acquisition that the group had paid too much, saying Labatt's results had exceeded forecasts and amply justified Interbrew's valuation.

The group expected strong growth to continue in the Americas, in its two Chinese ventures, and in its eastern European interests in Hungary, Romania, Croatia and Bulgaria. But it warned that the market in Belgium and elsewhere in western Europe was under great pressure and showing little growth.

The Americas are expected to contribute 50 per cent of this year's operating result.

هكذا من الأصل

Bayer cautious in spite of 'good start' to year

By Michael Lindemann in Bonn

Bayer, the leading German chemicals group, yesterday reported a 14 per cent in pre-tax income for the first quarter to DM1.16bn ($762.2m) through productivity increases. But it warned that despite what it called a "good start" to the year, "economic uncertainty" in several European countries, especially Germany, was causing concern.

Addressing shareholders at the group's annual general meeting, Mr Manfred Schneider, chief executive, said, however, that on the basis of present forecasts the group expected to achieve the 10 per cent rise in pre-tax income which it had predicted for 1996.

"If exchange rates continue to stabilise and the world economic environment remains intact, we expect to be able to achieve a new record in earnings," Mr Schneider said.

Apart from misgivings about the state of the German market, the company also said that demand for its chemical products was declining but that it expected the fall to be short-lived.

The increase in North American sales, which rose 16 per cent in the first quarter to DM2.9bn, was expected to continue, the company said.

Group sales in the first quarter overall rose by DM495m, or 4.2 per cent, to DM12.2bn, but Bayer said this was "almost entirely" due to the first-time consolidation of the ABS plastics business purchased last year from Monsanto, of the US.

The printing plate business, acquired last year from Bayer's rival Hoechst, also helped first-quarter turnover to rise, the company said, as did the acquisition of the Florasynth group.

Although first-quarter Asian business had been slowed by the strength of the yen, exchange rate movements in the first quarter had "largely offset one another", the group said.

The healthcare business, the largest of Bayer's six divisions representing 24 per cent of group turnover, contributed 3 per cent to the quarterly rise in sales.

Polymers moved ahead by 5 per cent, while the group recorded "strong gains" in its plastics business.

Bayer said that it had 143,700 employees at the end of March, an increase of 800 over the first quarter because of new acquisitions.

● Lufthansa, the German airline, said it carried 9.1m passengers in the first quarter, up 4.4 per cent from 8.7m passengers in the year-ago period, reports AFX News from Frankfurt. Freight and mail volume rose to 395,600 tonnes from 395,400 the previous year. The passenger load factor slipped from 68.2 to 66.9 per cent while the overall load factor fell from 68.3 to 68.3 per cent.

KNP BT shares slide after sharp first-term reverse

By David Brown in Amsterdam

KNP BT, the Dutch paper, packaging and distribution group, yesterday saw its share price slide 8 per cent after it revealed an unexpectedly steep slide in first-quarter performance and predicted a drop in 1996 net profits.

The market wiped Fl 3.50 off KNP BT's share price, which closed in Amsterdam at Fl 40, after the company revealed that profits had plummeted from Fl 1.12 to just Fl 0.40 a share. Year-on-year, the net profit from operations fell from Fl 121m to Fl 50m ($39.4m) after paper prices slipped into a tail-spin.

Overall group sales declined from Fl 3.69bn to Fl 3.4bn.

KNP BT's Leykam paper operation saw sales tumble from Fl 737m to Fl 586m. Despite extensive restructuring efforts, the operating result slipped from a positive Fl 65m to a loss of Fl 7m.

Customers, mindful that pulp prices had hit "an all-time low", reduced stock and delayed orders, the company said. Capacity utilisation of paper machines fell as production was stopped. Leykam was forced to write down its own stocks.

KNP BT said the extreme weakness in prices may "indicate an approaching change". However, it added that "it is difficult to forecast when this will be exactly".

The group said its packaging division – where adjusted sales slipped from Fl 986m to Fl 784m – was able to improve margins as a result of low prices for waste paper. This is the most important raw material in its production of solid and corrugated board. Demand was now brisk for corrugated board, but solid board and solid board packaging were still suffering from declining volume sales.

The decline in the first quarter operating result for this division – from Fl 94m to Fl 79m – was attributed to the fact that several operations were either sold or deconsolidated over the past 12 months.

On a comparable basis, the company said, earnings were unchanged. Overall, packaging was on a path to recovery.

KNP BT's important distribution arm generates the bulk of group sales. Turnover in this unit, which has been particularly acquisitive in US and German office products distribution, advanced from Fl 2.15bn to Fl 2.23bn.

The distribution division now includes the results of paper merchants formerly grouped under the Leykam unit. It saw its operating profit slide from Fl 84m to Fl 62m.

The company cautions that further write offs might become necessary if prices further decline. In contrast, the expansive BT Office Products International unit turned in "good" results, the company said.

PROFILE

KNP BT

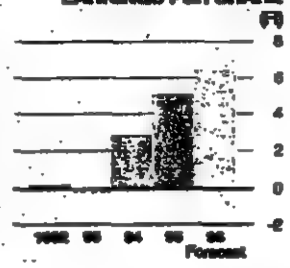
Market value: $2,58bn Main listing: Amsterdam

Historic P/E	[illegible]
Gross yield	[illegible]
Earnings per share	Fl 5.53
Current share price	Fl 48.5

Outgoing chairman Robert van Oordt

SHARE PRICE relative to the AEX

EARNINGS PER SHARE (Fl)



Source: FT Extel, Datastream, ABN Amro

Akzo slips 9% in opening quarter

By David Brown

Akzo-Nobel, the Dutch chemicals and pharmaceuticals group, yesterday reported a 9 per cent drop in net profits before extraordinary items to Fl 332m ($195m) for the first quarter ending March.

Operating income during the same period declined year-on-year from Fl 553m to Fl 494m on sales ahead 1 per at Fl 5.64bn.

On balance, the company said, volume sales declined 2 per cent while selling prices advanced 3 per cent.

The earnings slump was most pronounced in the chemicals division, which generated Fl 2.07bn in sales. Operating income fell from Fl 217m to Fl 184m amid fierce competition in the catalysts sector together with low sales volume and weak prices in PVC, the company said.

Akzo is one of the world's leading paint producers. Its coatings division, which generated turnover of Fl 1.71bn, posted a 20 per cent decline in operating profit from Fl 101m to Fl 81m, due primarily to the harsh European winter, which put severe pressure on the group's decorative coatings unit.

Akzo's first-quarter results were also damaged by a controversy over its so-called third-generation contraceptive pills, which were said to cause hazardous clots of the blood.

This particularly hit sales in Germany and the UK. Some analysts believe consumer concerns will fade during the course of the year following a recent decision by the European drugs council to retain the status quo on guidelines governing the prescription of these pills.

During the three months to March, the pharmaceuticals division generated Fl 183m in operating income, up Fl 3m, on sales of Fl 965m.

In fibres, profits were roughly unchanged at Fl 45m, despite a divestment of the packaging resins operation, on sales of Fl 909m.

Overall, Akzo-Nobel reiterated its forecast that 1996 earnings should be of the same order as last year, assuming the second half brings the expected economic upswing.

NEWS DIGEST

Moody's lowers Vereinsbank rating

The select club of Aaa-rated banks lost a member yesterday when Moody's Investor Services, the international credit rating agency, downgraded Bayerische Vereinsbank to Aa1. Moody's said Vereinsbank, the fourth-largest German private sector bank, had "consistently strong asset quality", but its earning power over the medium term would be hit by "tighter competition in an overbanked and static market".

The downgrading leaves only 18 banks, most of them German and Dutch, with Moody's highest rating for long-term debt – an accolade which can reduce their cost of borrowing.

Standard & Poor's, Moody's arch-rival in the ratings business, grades Bayerische Vereinsbank only for its short-term commercial paper programme, and has not assigned it a long-term rating.

The Moody's downgrade affects only Vereinsbank's senior unsecured debt and long-term deposits. Ratings for its short-term deposits, commercial paper, financial strength and mortgage-secured bonds, which are more important for its funding costs, were confirmed at Moody's highest grades.

George Graham, Banking Correspondent

Swiss Re continues advance

Mr Lukas Muehlemann, chief executive of Swiss Reinsurance, said he expected a substantial improvement in the company's 1996 net profit, but said the gain would not be as large as the 1995 increase.

Mr Muehlemann told the results news conference that damage claims in the current year look to be similar to the low rates seen in 1995. He said it remains the company's intention to achieve a 15 per cent return on equity by 1998.

In 1995, the company posted net profits up 53 per cent from SFr709m to SFr1.088bn ($882m), in line with expectations. Gross premiums were unchanged at SFr12.9bn. The board proposed a dividend of SFr22.50, higher than expected, against SFr15 for 1994.

AFX News, Zurich

■ Christiania Bank, the Norwegian bank, posted first quarter net profits down 24 per cent from NKr738m to NKr555m ($85m). Earnings per share fell from NKr1.34 to NKr1.01. Net interest income fell from NKr899m to NKr858m. Operating profits before loan loss provisions rose from NKr452m to NKr498m, while profits after loan loss provisions declined from NKr738m to NKr562m.

AFX News, Oslo

■ Euroc, the Swedish cement group, reported a first quarter loss after financial items of SKr137m ($20.3m) compared with a SKr114m opening quarter last time. The group incurred an operating loss of SKr41m against a SKr180m profit last time, on deliveries of SKr2.695bn compared with SKr3bn.

The net loss was SKr146m against a profit of SKr86m. Euroc said it would change its name to Scancem. "No larger improvement in profits is expected in 1996 compared with 1995, when the net profit was Skr955m," said Mr Sven Ohlsson, Euroc's chief executive.

AFX News, Stockholm.

Two Spanish banks report better than expected results

By David White in Madrid

Two of Spain's big banks — Banco Santander and Argentaria – yesterday both announced higher-than-expected increases in consolidated first-quarter earnings, citing an improvement in operating income.

Banco Santander, the country's leading and most international banking group, raised attributable net profits by 18.7 per cent over the same period last year to Pta20.05bn ($159m).

Overall, including minority interests, the group scored a 22.9 per cent increase to Pta28.47bn.

This reflected a hefty 62.4 per cent boost in operating profit, achieved in spite of a growth of more than 8 per cent in operating costs.

The bank said the higher costs were largely the consequence of acquisitions made since last spring and the launching of new businesses.

The group's fee income meanwhile grew by almost 17 per cent to Pta372bn while income from financial operations rose sharply from Pta1.7bn in the 1995 first quarter to Pta12.76bn.

Santander said the result would have been even stronger as a result of a paper gain of Pta16.61bn in the US resulting from the exchange of its holding of First Fidelity for 11 per cent in the First Union, under a merger completed on January 1. It said that because of the exceptional nature of this transaction it had assigned the earnings to strengthen provisions in the group's balance sheet.

The balance sheet total increased in the last 12 months by just over 10 per cent to to Pta17,200bn. Customer loans rose 14.5 per cent to Pta6,700bn.

The level of coverage for non-performing loans rose from 83 per cent to 88 per cent. Excluding Banesto, the Spanish banking group in which Santander took a controlling interest two years ago after a rescue operation, coverage was more than 110 per cent.

Without the Banesto takeover, the bank said its attributable net profit would have been Pta3.31bn higher.

Santander has proposed a final fourth dividend for 1995 of Pta91 a share, raising the total for the year to Pta280, an increase of 7.7 per cent.

Mr Emilio Botin, chairman, said in a letter to shareholders that the bank's recent $495m operation in Chile, where it will control a merged bank formed by its own subsidiary and Banco Osorno, would bring in profits from next year.

Argentaria, the partially state-controlled group in which the state last month halved its stake to 25 per cent, reported a 12.3 per cent increase in attributable net profit for the quarter to Pta22.39bn, compared with Pta19.94bn in the same period last year.

Operating earnings were 32 per cent up at Pta24.93bn. The bank said this was due in part to success in controlling costs. Personnel costs showed an increase of 1.2 per cent, while other administrative costs – including the costs linked to the recent share offer – rose 3.9 per cent.

A sharp fall in non-performing loans enabled the group to reduce net provisions for insolvency by 13 per cent to Pta7.94bn, Argentaria said.

The group's total assets were almost 5 per cent higher than a year ago at Pta12,600bn. Clients' funds increased by more than 14 per cent to Pta6,500bn. The volume of investment funds managed by the group, at Pta848.7bn, showed an increase of Pta148bn since the end of last year and a 50 per cent growth over the last 12 months.

Banco Santander's share price rose Pta110 to Pta6,160, while Argentaria's skipped by Pta10 to Pta5,370.

Meanwhile, amid renewed rumours of a further concentration in the Spanish banking sector, Banco Popular denied a newspaper report suggesting it might take a stake in Banco Central Hispanoamericano.

BCH in turn issued a statement saying it had not been buying Banco Popular shares on its own account or anyone else's with the aim of obtaining control.

Crédit Lyonnais, Allianz upbeat on insurance sales

By Andrew Jack in Paris

Allianz, the German insurance group, hopes to sell FFr100m ($19.5m) in policies by the end of next year through its alliance with Crédit Lyonnais, the French state-owned bank, with a rapid acceleration in the future.

In the first public statement since the two financial institutions signed an agreement last year, Crédit Lyonnais said yesterday that it had already begun selling Allianz's household, and health insurance policies and would launch motor insurance sales in spring next year.

The accord between Crédit Lyonnais and Allianz is one of the most significant in a range of such "bancassurance" deals struck in the past few months in France.

Mr Jean Peyrelevade, chairman of Crédit Lyonnais, said he believed the French banks had already won the battle against insurers to sell life assurance policies, capturing more than half the domestic market. Crédit Lyonnais has its own subsidiary for the purpose, called UAF.

However, the more specialist skills required to manage non-life policies have tempted many banks to seek insurers as partners. The last figures for 1994 showed that they held just 3 per cent of the French market for non-life sales.

Under the accord, Allianz pays Crédit Lyonnais a commission for each insurance policy sold. Mr Peyrelevade said he expected a sharp increase in sales of the policies in the next few years, and said purchases by one in 10 of the bank's clients by 2000 "would not be bad".

He said the bank was spending "several tens of millions of francs" in training its staff so they met the criteria of quality and client selection required by Allianz.

Mr Peyrelevade said that in the future the policies were likely to be sold increasingly by telephone and by computer, as well as in its branches, in line with the trend for other banking products.

Mr Henning Schulte-Noelle, chairman of Allianz, rejected suggestions that there was tension created by the accord, in spite of the group's existing network of sales agents based in France.

Mr Schulte-Noelle [illegible] the continued importance of this network, and said the [illegible] would continue to have the exclusive use of the group's name on the products, while those sold through the Crédit Lyonnais agreement would be marketed under the bank's name.

Mr Peyrelevade said that Crédit Lyonnais had no intention at present to seek outside investors for UAF.

However, if it ever did so, Allianz would have the right of first refusal.

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COMPANIES AND FINANCE: THE AMERICAS

Airline results continue steep rise

By Richard Tomkins in New York

US airline results have begun to fall into a pattern. Each quarter, analysts produce forecasts of big increases in profits; as the results draw nearer, they upgrade their forecasts; then, when the results themselves come out, the figures surpass even the most optimistic expectations.

This year's first quarter has proved no exception. Nearly all US airlines have done much better than expected. The industry as a whole is enjoying its most prosperous period since the boom of the late 1980s, and the airlines are surprising even themselves with just how much money they can make when things go well.

To some extent, the industry is the passive beneficiary of the strength of the US economy: more economic activity means more travel. Paradoxically, passenger numbers have not risen greatly. But greater demand for air travel travel means airlines have been able to stop filling aircraft with passengers flying at give-away fares and replace them with passengers paying something nearer full price.

Meanwhile, the airlines have benefited from earlier cuts in capacity they made in an attempt to stem the losses of the early 1990s. With fewer aircraft flying on many routes, demand for seats on the remaining aircraft has gone up, leading to healthy increases in load factors.

Nevertheless, investors approached this year's first quarter with caution. The reason: until the end of last September, US airlines had enjoyed exemption from a transportation tax costing 4.3 cents per gallon of fuel, but because of the budget impasse in Washington, that exemption was not renewed. On top of that, fuel costs themselves had been rising fast: they were up 7 cents a gallon in March alone. US airlines also suffered the cost of widespread delays and cancellations resulting from unusually severe winter weather.

In the event, however, these extra costs were easily outweighed by another factor. As a result once again of the budget impasse, an excise tax of 10 per cent on airline tickets expired at the end of last year, and was not renewed. Some airlines passed on the savings to passengers, so attracting more traffic; others pocketed the money for themselves. Either way, they enjoyed a profits bonanza.

Although this will in all probability be a temporary phenomenon, it is not about to disappear. According to the Air Transport Association, the US industry body, the budget deal thrashed out in Washington this week leaves airline taxation unaltered, so airlines will go on paying the fuel tax but getting relief from the excise tax on tickets.

The fact that this arrangement operates greatly to the airlines' benefit was vividly illustrated when AMR, parent company of American Airlines, opened the first-quarter results season last week. The company reported an increase in net income from $37m to $157m, equivalent to earnings per share of $1.84 – far in excess of the $1.54 predicted by analysts.

On the same day Trans World Airlines, which came out of its latest spell of chapter 11 bankruptcy protection only last year, reported a cut in net losses from $123m to $37m – and said it had spent $18m during the quarter on training hundreds of pilots and flight attendants for an expected upsurge in travel this summer.

At first sight Northwest Airlines seemed to be an exception to the general trend, but its figures were distorted by a preferred stock transaction last year.

Without this, and before preferred stock dividends, it said it had its best first quarter ever, with net profits up from $2.6m to $53.4m.

UAL, parent company of United Airlines, was another company reporting figures muddied by special factors: but stripping out the costs of its employee stock ownership scheme, it said net earnings were up 78 per cent to $105m – again, far ahead of analysts' forecasts.

If there were disappointments in the airlines' figures, they came mainly from Southwest Airlines and USAir. Although Southwest's net income jumped from $11.8m to $33m, analysts had hoped for a little more. USAir, still struggling with the highest cost structure of any US airline, stayed heavily in loss, partly because of the severe winter weather.

Delta Air Lines rounded off the reporting season yesterday with a mixed message. It had record first-quarter results at the operating level, but after restructuring charges of $556m before tax, caused by job cuts and write-downs on aircraft retirements, it had net losses of $276m, compared with losses of $11m last time: and warned of another $300m restructuring charge this quarter.

See Lex

US AIRLINES: FIRST-QUARTER RESULTS

Airline	Revenue ($bn) 1996	Revenue ($bn) 1995	Net income/(loss) ($m) 1996	Net income/(loss) ($m) 1995
AMR (American)	4.3	4.0	157	37
UAL (United)	3.7	3.3	(45)	(13)
Delta	3.0	2.9	(276)	(11)
Northwest	2.3	2.0	40	47
USAir	1.9	1.8	(55)	(117)
Continental	1.5	1.4	66	(30)
Trans World	0.8	0.7	(37)	(123)
Southwest	0.8	0.6	33	12
America West	0.4	0.3	14	5

Source: companies

NEWS DIGEST

Dow Chemical slips 16% in first period

Dow Chemical reported a 16 per cent drop in first quarter net income to $476m, with sharp falls in commodity chemicals partly offset by resilience in performance chemicals and plastics. Plastics sales were down 15 per cent to $928m and profits down 62 per cent to $170m. The US group said prices in the quarter were down 27 per cent, but had started to recover at the end of the period because of increased global demand.

Sales in the chemicals and metals division were down 13 per cent at $752m, with operating income 38 per cent lower at $190m. This was blamed on lower prices for vinyl chloride monomer and weaker demand from the pulp and paper industry.

Performance plastics increased profits 72 per cent to $317m on sales up 6 per cent at $1.3bn. Performance chemicals held profits flat at $247m on sales down 6 per cent at $1.1bn. Agricultural chemicals saw profits depressed by late planting in North America owing to the severe winter, but Dow said it expected recovery this quarter. Group sales were 4 per cent lower at $5.0bn. Earnings per share from continuing operations were down 6 per cent at $1.90. Dow's shares fell $¾ to $87 in early trading. *Tony Jackson, New York*

AlliedSignal ahead and upbeat

AlliedSignal, the diversified US manufacturer, raised first-quarter net income 14 per cent to $225m, or 80 cents a share – the 17th consecutive quarter of growth at or above that rate. The company said it was confident earnings growth for the year would be within the target range of 13-17 per cent.

Earnings from auto components were up 16 per cent at $72m on sales up 7 per cent at $1.5bn. This included results for the brake business sold to Robert Bosch of Germany for $1.5bn earlier this month. Aerospace earnings were up 9 per cent at $71m on sales up 14 per cent at $1.3bn. New business in the quarter included a contract worth up to $700m to supply GE Capital with parts for Boeing 737 airliners.

The engineered materials division, comprising plastics, fibres and advanced materials, raised earnings 16 per cent to $109m on sales up 13 per cent at $1.0bn. Sales growth was attributed both to acquisitions and internal growth, while margins were helped by a slowdown in raw material prices. Group sales rose 11 per cent to $3.8bn. *Tony Jackson*

Imperial Oil C$250m tax boost

A C$250m (US$191m) tax refund for 1974–90 pushed first-quarter net profit at Imperial Oil, Canada's biggest integrated oil company, to C$374m, or C$1.99 a share, from C$127m, or 66 cents, on revenues of C$2.4bn against C$2.3bn. The refund was partly offset by a C$25m after-tax exchange loss on redemption of US debt. Before special items, earnings were C$149m, up 15 per cent. *Robert Gibbens, Montreal*

Canada pulp and paper companies report mixed quarter

By Robert Gibbens in Montreal

Canadian timber, pulp and newsprint producers have reported mixed first-quarter earnings, reflecting firm prices but declining demand.

However, the companies warned that over-supply – which is now depressing markets – and mill shutdowns would mar second-quarter results. They are confident that inventory correction has begun in North America and markets will improve late in the year.

Those integrated companies with heavy output of pulp sold on the open market are being hit by the 50 per cent drop in prices in the past year. Companies' timber operations have held up because of seasonally good US demand and some firming in Japan.

Avenor, one of North America's biggest timber, pulp and newsprint producers, earned C$40.2m (US$29.5m), or 60 cents a share, in the first quarter, down from C$66.4m, or 99 cents, a year earlier, on sales of C$625m against C$673m. Pulp prices dropped sharply although newsprint held up well.

Domtar, the timber, pulp, fine paper and packaging materials group, posted first-quarter net profit of C$20m, or 14 cents a share, down from C$75m, or 58 cents, a year earlier, with severe price declines in all the main sectors, and lower shipments.

Sales were C$499m against C$527m. Domtar said tight cost control would continue.

Stone-Consolidated, controlled by Chicago's Stone Container, earned C$79m, or 76 cents a share, up from $21.3m, or 31 cents, a year earlier, on sales of $673m against $323m. The results include a newsprint acquisition last November.

Donohue, controlled by the Quebecor printing and publishing group, earned C$53.2m, or 65 cents a share, against $46.2m, or 59 cents, on sales of $340m, against $248m.

Alliance Forest earned C$20.6, or $1.18 a share, up from $17.3m, or 97 cents, on sales of $112m against $83m.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for trading on 25.04.96: Pool purchase price £/MWh	Final Prices for Trading on 23.04.96: Pool purchase price £/MWh	Final Prices for Trading on 23.04.96: Pool selling price £/MWh
0030	9.00	11.49	11.49
0100	8.96	12.53	14.31
0130	8.97	20.26	22.04
0200	8.99	20.26	22.04
0230	12.53	14.64	16.42
0300	12.53	14.64	16.42
0330	12.53	14.64	16.42
0400	12.53	12.66	12.66
0430	12.53	11.48	11.48
0500	12.53	11.48	11.48
0530	8.97	11.56	11.56
0600	8.97	11.49	11.49
0630	8.97	11.49	11.49
0700	17.16	12.70	12.70
0730	17.56	21.19	22.59
0800	23.81	21.40	23.26
0830	24.77	24.65	26.58
0900	24.89	29.88	31.98
0930	24.83	33.87	36.09
1000	24.85	34.01	38.24
1030	24.83	33.84	38.04
1100	24.89	33.60	35.74
1130	24.84	33.54	35.67
1200	24.85	33.38	35.48
1230	24.77	33.08	35.09
1300	24.69	28.55	30.47
1330	23.72	24.31	26.14
1400	23.70	21.28	23.09
1430	23.70	21.28	23.08
1500	18.10	21.28	23.02
1530	18.10	21.16	22.94
1600	17.54	12.19	13.97
1630	17.54	12.20	13.98
1700	28.98	13.49	17.28
1730	28.98	21.35	23.15
1800	28.98	21.80	23.42
1830	17.54	22.07	24.10
1900	17.54	38.42	40.82
1930	17.54	41.93	44.11
2000	9.18	37.83	39.88
2030	9.21	21.81	23.44
2100	21.16	21.49	23.28
2130	21.16	21.31	23.09
2200	21.16	12.18	13.95
2230	21.16	11.48	11.48
2300	13.10	9.19	9.19
2330	12.75	9.18	9.18
2400	8.98	9.16	9.16

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, [illegible]. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of [illegible]

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Europe pricing switch holds P&G to 22% growth

By Richard Tomkins in New York

The cost of switching to "everyday low pricing" in Europe held back Procter & Gamble's European profits growth in its third quarter to March, the US consumer goods company said yesterday.

However, the weakness in European profits was outweighed by a strong performance in the US market, and the company reported an overall increase of 22 per cent in net profits to $760m.

Last year Procter & Gamble took a $50m charge for costs resulting from the Kobe earthquake in Japan. Without that charge, the increase in third quarter net profits would have been 12 per cent.

Revenues rose 3 per cent to $8.6bn, operating profits rose by 12 per cent to $1.2bn, and fully diluted earnings per share rose by 25 per cent to $1.01.

Mr John Pepper, chairman and chief executive, said the quarter's world-wide volume growth was "below what we normally would like", but reflected the pricing initiative in Europe which would "build consumer value over time".

Procter & Gamble this year adopted a new pricing strategy in Europe modelled on its everyday low pricing strategy in the US, which was adopted four years ago and has proved a big success.

As in the US, the European strategy is intended to fight competition from cut-price brands and own-label products by cutting promotional offers and discounts in favour of everyday low prices.

In the short term, however, the transition meant a hiatus in Procter & Gamble's European volume growth. Procter & Gamble said volumes, revenues and earnings were about flat in its Europe, Middle East and Africa region, owing to the combined effects of value pricing in key western European markets and a strong performance in the comparable period.

In contrast, North America achieved 4 per cent growth in unit volumes, 6 per cent growth in revenues and a 19 per cent surge in earnings. Procter & Gamble said lower costs helped profits growth.

Laundry and cleaning products led North America's unit volume growth, and the paper products business had particularly strong net earnings, thanks to falling pulp prices. However, the region's health care business was hit by tough competition in over-the-counter health care products.

In Asia, volume rose 16 per cent, revenues rose 4 per cent and earnings rose 11 per cent. But volumes in Latin America, hit by weakness in the Mexican market, fell by 9 per cent, and the region's revenues and earnings fell by 4 per cent.

John Pepper: world sales 'below what we would like'

Leisure stake helps Xerox lift earnings 61%

By Tony Jackson in New York

First-quarter earnings at Xerox, the US photocopier group, rose 61 per cent to $237m on revenues up 4 per cent at $3.9bn. The rise in earnings was helped by Xerox raising its stake in Rank Xerox, the diversified leisure group, from 51 per cent to 71 per cent in February last year.

While revenues from Xerox document processing rose 4 per cent to $3.9bn, Rank Xerox's revenues fell 2 per cent in local currency terms. Xerox said this was due partly to economic weakness – Rank Xerox operates in Europe, Africa and parts of Asia – and that it expected the revenue decline to be temporary.

US revenues grew 5 per cent. Revenue growth in Latin America was 16 per cent, due to strong growth in Brazil and recovery in Mexico. Group earnings were also helped by a cut in the Brazilian tax rate.

Sales of digital printing products were up 19 per cent in local currencies, to reach 27 per cent of Xerox sales (excluding Rank Xerox). Sales of black and white copiers, representing 59 per cent of revenues, were flat.

Xerox said the sale of its Talegen and Resolution insurance businesses was due for completion by mid-year. By the end of March, shares worth $91m had been bought back under a $1bn programme instituted in February.

● Xerox this week launched the world's first high-speed, low-cost digital colour copier at an industry show in New York, writes Paul Taylor.

The DocuColor 40 machine is capable of producing 40 colour pages a minute and is designed to bring short-run colour copying to business users and help Xerox meet the growing demand for digital colour document production systems.

The market for on-demand colour is growing by about 30 per cent a year and is expected to reach $12bn in the US alone by the end of the decade.

Last year Xerox's revenues from colour systems rose 45 per cent to $600m, making it one of the group's fastest-growing businesses.

The new system, which costs about around $130,000, is more than five times faster than the leading colour copier/printer and costs about half as much as digital presses.

The system is designed to work with a wide range of "front-end" software packages.

"This will revolutionise the colour market," said Mr Brian Stern, president of Xerox office document products group. "We have broken the 'sound barrier' with this product."

TV terrier snaps at Televisa's heels

Azteca is gaining from synergies and alliances, says Leslie Crawford

Televisión Azteca, an upstart broadcaster in a country where Televisa rules supreme, is the main culprit behind the Mexican media giant's poor first quarter results.

In an unusual step for a privately-owned company, Azteca published its financial results for 1995 on the same day that Televisa reported losses of 396m pesos ($53.5m) for the first quarter of 1996.

It was not a coincidence. Azteca, which is planning to seek a listing on the Mexico City stock exchange later this year, reported a 16 per cent increase in 1995 sales to 654m pesos and an operating margin of 35 per cent. In addition, the company said its advertising bookings for 1996 had increased 128 per cent compared with the previous year, which is expected to give Azteca about one-fifth of Mexico's television advertising market.

For Mr Ricardo Salinas Pliego, the youthful owner of the Elektra chain of retail stores, the purchase of two ailing government television networks which struggled to scratch together a 10 per cent audience share three years ago has been a gamble that paid off.

With no experience in television, Mr Salinas (unrelated to former president Carlos Salinas) paid $650m in 1993 for two networks which, by his own admission, "had poor transmission systems, no management, no accounting history and not even a proper payroll".

He spent two years extending transmission facilities and forging alliances with more experienced broadcasters, such as NBC of the US, to beef up Televisión Azteca's lacklustre programming. Despite the improvements, however, Azteca's audience share still wobbled around 15 per cent.

Last year's economic crisis forced many advertisers to look for cheaper outlets. Televisa, which dominates Mexico's $1.8bn advertising market, saw net sales decline 17.2 per cent in 1995 and a further 8.9 per cent in the first quarter of 1996.

In contrast, Azteca's cheaper rates and more flexible payment plans allowed it to corner 18.5 per cent of the television advertising market last year, according to Nielsen, the market researchers.

Mr Salinas predicts Azteca's advertising revenue will produce net earnings of $70m in 1996. He plans to set up his own studios for the production of in-house "telenovelas", the lachrymose soap operas to which Mexicans are addicted. Azteca has bought a football team (Televisa owns many), and next month will launch a record company.

Mr Salinas says he also plans to float Televisión Azteca on the Mexico City stock market later this year or early next.

Going public appears to be dictated by two concerns: Azteca's $298m debt is held in the form of convertible bonds by a syndicate of three Mexican banks, which want to sell their equity stakes in the company when the bonds mature in late 1997. NBC also has an option to acquire a 10 per cent to 20 per cent stake in Azteca under the terms of their programming agreement.

In addition, shareholders in Elektra, Mr Salinas's successful retailing outfit, are growing increasingly nervous over the level of cross-subsidy which is going on between the companies.

When Elektra announced earlier this month that it had acquired a 14.5 per cent stake in Azteca for $107m, Elektra's stock price, which had risen by 55 per cent in nominal terms since the beginning of the year, promptly lost 12 per cent of its value. Equity analysts expressed concern that Elektra was sinking money into Mr Salinas's private television venture rather than using its cash reserves to pay off debt.

Mr Salinas, which owns 80 per cent of Elektra along with other members of his family, believes the markets got it wrong.

"Elektra gets a tremendous free lunch with Televisión Azteca," he says. "We have pummelled viewers with Elektra ads over the past three years, and with tremendous results. No other retailer has such access to air time."

Blanket advertising certainly appears to have helped Elektra weather last year's recession, which hammered other retailers as disposable incomes collapsed. Elektra, which sells cookers, TV sets and other electrical goods to lower-income groups, and also runs a profitable side-line in money transfer services, saw only a 6 per cent fall in net sales to 2.85bn pesos ($384m) last year, while profits increased marginally to 302m pesos.

Mr Salinas says Elektra's equity stake in Azteca came with a advertising deal which gives his retail chain lots of nearly-free airtime for the next 10 years.

The sale of Elektra's money transfer business to Western Union Financial Services, a subsidiary of First Data Corp of the US, has also allowed Elektra to retire all but $30m of the company's $160m debt. And as a result of the retail chain's lower financial costs this year, Mr Salinas predicts Elektra's profits will double to 600m pesos in 1996.

Mr Salinas says Elektra is planning a $100m eurobond issue later this month, one-third of which will be used to cancel supplier debts and the rest to back up new investment opportunities.

While Mr Salinas believes the synergies between Elektra and Azteca are self-evident, he has yet to show that his fledgling television networks can stand alone.

"My strategy is to maul Televisa's premier channels," he boasts, "get their ratings down; splinter their audience." Fighting talk from a businessman aiming his slingshot at a Mexican Goliath.

NEWS DIGEST

Consumer groups' earnings disappoint

Third-quarter earnings from both Sara Lee and Quaker Oats fell short of expectations, pushing down the consumer groups' shares. In morning trading, Quaker's shares slipped $⅞ to $34, while Sara Lee's shares were $¾ lower at $27¼. This was despite record sales and earnings at Sara Lee, with the first double-digit increase in earnings per share for six quarters. Net income rose 9 per cent to $166m, and fully-diluted earnings per share were up 10 per cent to 32 cents. For the nine months, net income was $583m, up from $508m, and earnings per share were $1.14, compared with 99 cents. The group said all four of its business sectors increased profits.

Quaker Oats said its results were hit by a business realignment, including the sale of its North American pet foods business, but this would "position Quaker for greater profitable growth". Third-quarter results included a $518m gain before tax, worth $2.43 a share, from asset sales. Excluding that, earnings per share were down from 54 cents in the third quarter of the previous financial year to 30 cents. For the nine months, earnings per share were $1, excluding the gain, compared with $1.51. *Maggie Urry, New York*

Stake sales help boost BCE

BCE, Canada's biggest telecommunications company, posted first-quarter earnings of C$254m, or 74 cents a share, up from C$155m, or 42 cents a share a year earlier, on revenues of C$6.1bn, up 11 per cent from C$5.5bn. The latest quarter included net special gains equal to 18 cents a share against 12 cents a year earlier. The 1996 quarter included a C$50m gain on the sale of BCE's interest in Clear Communications in New Zealand.

BCE received a bigger contribution from Northern Telecom, its equipment affiliate, and from BCE Mobile, the wireless communications unit. Bell Canada, the fully-owned telecommunications utility, made a contribution of C$155m, up from C$98m, as rationalisation began to lower operating expense. Its operating revenues were C$2.1bn against C$1.95bn, reflecting growth in optional services and higher local rates. *Robert Gibbens, Montreal*

Price weakness hits US Steel

The slide in steel prices during the second half of 1995, along with disruptions caused by severe winter weather, led to a 38 per cent fall in post-tax earnings at US Steel during the first three months of this year. The biggest US steelmaker also warned that an accident at its largest blast furnace on April 2 would have a "significant negative impact" on its results for the second quarter.

US Steel's fall in net income, to $46m, or 49 cents a share, echoed results reported by the country's other big producers in recent days. Steel shipments in the quarter, at 2.9m tons, were 6 per cent higher than a year before, while revenues were unchanged at $1.6bn. *Richard Waters, New York*

Solid progress at AIG

American International Group reported a 17 per cent rise in net income in the first half of this year, to $671m, led by growth in its life insurance business outside the US, and financial services. The biggest part of AIG's business, its general insurance operations, saw a 9 per cent increase in revenues, to $3.1bn, and operating income, at $510m.

Income from life insurance, meanwhile, climbed 21 per cent, to $287m, on a 14 per cent increase in premiums. And the financial services businesses, grouped around derivatives and aircraft leasing, reported income of $108m, a rise of 43 per cent. *Richard Waters*

NEWS DIGEST

Indian ships group declines 9.6%

Great Eastern Shipping, India's largest private sector shipping group which also has interests in commodity trading and real estate, reported a 9.6 per cent decline in net profit to Rs1.55bn ($91.3m) for the year to March 31, although operating profit climbed 10.6 per cent to Rs3.12bn.

The company said a substantially higher interest cost of Rs457m and a Rs270m provision for tax against nil last year were mainly responsible for the fall in net profit. Turnover rose marginally from Rs7.55bn to Rs7.58bn. The result fell well below market expectations.

Great Eastern did well in shipping with operating profit up 34.1 per cent to Rs2.02bn. But it suffered a setback in commodity trading and treasury operations. It acquired 13 ships last year at a total cost of Rs6.02bn while it sold five vessels for Rs1.09bn. The company's earnings per share fell from Rs6.2 to Rs5.4. *Kamal Bose, Calcutta*

Fairfax stake 'not for sale'

Mr Dan Colson, deputy chairman of John Fairfax, Australia's leading newspaper publisher, yesterday attempted to damp speculation in Australia that Mr Conrad Black, the Canadian media proprietor, was signalling to sell his 24.9 per cent in Fairfax when he bid to buy out minority shareholders in The Telegraph group in the UK this week.

Mr Colson, who is also deputy chairman of The Telegraph and a director of Mr Black's Hollinger group, said: "We have made no secret of our desire to increase our stake in Fairfax itself, and that position remains unchanged," he said.

The speculation arose because Mr Black's bid for The Telegraph group included an offer to pay minority shareholders a bonus cash sum if the Telegraph's Fairfax stake was sold off in the next two years for more than A$3 a share. Mr Black, who has board seats at Fairfax, is prevented from raising his holding by Australia's restrictions on foreign ownership of media assets. *Nikki Tait, Sydney, and Agencies*

Fletcher Challenge Canada falls

Sharp falls in paper and pulp markets led Fletcher Challenge Canada to report a severe fall in earnings to C$2.9m (US$2.13m), or 3 cents a share, for the three months to a March 31, the company's head office in New Zealand announced. This compares with a profit of C$20.2m, or 16 cents, a year ago.

Directors said a sharp fall in pulp prices led to a C$36m pre-tax adjustment of the carrying value of the company's pulp and wood fibre inventories in the quarter which reduced earnings by C$22m net of tax, or 18 cents a share. Sales for the three months were C$526m compared with C$431m in the corresponding period of 1995 when the company's three British Columbia pulp and paper plants were hit by a three-month strike.

For the nine months to March 31, Fletcher Challenge Canada's net earnings were C$153.4m, up from C$44.6m for the same period of 1994-95. Sales rose from C$1.4bn to C$1.8bn. *Terry Hall, Wellington*

Thai Airways plans share issue

Thai Airways International plans to issue 200m new shares to help pay for 21 aircraft it is buying as part of a revamp of its fleet. Mr Chatumonkol Sonakul, the finance ministry's most senior permanent official, said that all or part of the issue could be offered to outside investors.

The national carrier has slightly outperformed the Stock Exchange of Thailand index so far this year, but Mr Michael Miller, an analyst at Crosby Research, noted that although Thai was slowly becoming more efficient, it had rarely traded above its 1992 IPO price of Bt60. He was doubtful about the issue's prospects. *William Barnes, Bangkok*

Improved margins enable Petron to lift profits

By Edward Luce in Manila

Petron Corp, the Philippines' recently privatised oil company, saw net profits rise by 9.4 per cent to 1.026bn pesos (US$39.2m) in the first quarter on higher sales and improved margins from productivity gains.

The former state company, which is 40 per cent owned by Saudi Aramco with the government retaining a 40 per cent share, said that it had improved its market share from 41 per cent to 42.8 per cent between January and March.

The company, whose shares closed unchanged yesterday at 11.25 pesos, had also expanded capacity at its 165,000 b/d refining plant in advance of the full liberalisation of the country's oil sector next January.

The oil deregulation bill, which was passed last month, will permit foreign companies to enter the Philippines' petrol and downstream refining industry.

The market is currently shared between Petron, Shell Pilipinas, the local arm of the Anglo-Dutch group, and Caltex (Philippines).

"We think that Petron is well placed to meet the impending competition because it has a strong partner in Saudi Aramco and has invested more than Shell or Caltex in its refining capacity," said Mr Noel Reyes, chief researcher at Anscor Securities in Manila.

"Nevertheless, in a country where corporate earnings are growing by 25 per cent, Petron's profits growth looks weak."

The company said it sold 2.4bn litres of petrol and petrol products in the first three months 6.7 per cent higher than last year.

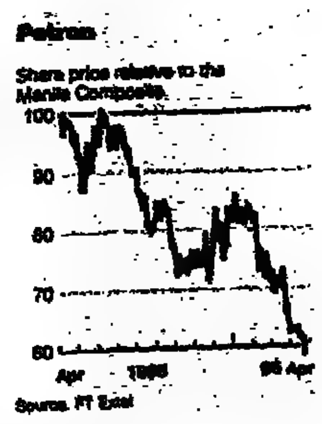
Overall sales rose by 15 per cent to 12.9bn pesos. The company also said yesterday that it had allocated 6.7bn pesos to capital spending in 1996 to bolster its position in advance of liberalisation.

However, Petron, which last month was appointed exclusive Philippine licensee and distributor of Pennzoil, the largest selling motor oil brand in the US, says it is concerned about the timing of the repayment of government debts to the company.

Under the existing regime, which will be scrapped in July, oil prices are shielded from fluctuation by a government-backed buffer fund.

The fund is late in repaying 1.7bn pesos in debts to Petron which is expected to shoulder the interest costs itself.

After July, petrol pump prices will track global prices.



Asiasat considers float to refinance loans of $220m

By John Ridding in Hong Kong

Asia Satellite Telecommunications, the Hong Kong-based satellite consortium, is considering floating on the stock market as a means of refinancing loans of about US$220m, it said yesterday.

"We have been examining the possibility of refinancing some of our existing loans and we have lots of different options," said Mr Bill Wade, deputy chief executive.

Mr Wade said that the consortium had recently completed the financing for Asiasat 3, its third satellite, which is due to be launched next year. "There appeared to be economic advantages from an early exit from the financing arrangements so that is what we are thinking about."

Asiasat said that it had talked to several financial institutions about its plans.

Although the consortium declined to comment on possible details of any flotation, it is thought the group would list on the Hong Kong and New York stock exchanges. Goldman Sachs, the US investment bank, is thought to be among the consortium's advisers on a possible listing.

Mr Wade said the moves being considered reflected financial incentives rather than a desire to restructure the shareholdings of the consortium. At present, Asiasat is owned in equal parts by Hutchison Whampoa, the Hong Kong conglomerate; Cable and Wireless, the UK telecommunications group; and China International Trust and Investment Corporation, Beijing's main investment vehicle.

Investment analysts in Hong Kong said a listing would not be unusual. Panamsat, the privately-controlled global satellite operator, listed on the US Nasdaq exchange in September last year.

"It is an industry with unusual risks, many of which relate to the launching of satellites," said a telecoms analyst at one US investment bank. "But there is strong demand for satellite capacity, particularly in the Asia-Pacific region."

Asiasat 3, which will be used for digital communications including TV distribution and business networks, will be the first of the consortium's satellites launched by a non-Chinese vehicle.

The group confirmed last month that the satellite would be launched instead by Russia's Proton system.

Asiasat said the decision on the launch had been taken before a Chinese rocket, a new-generation Long March, blew up in February. The consortium said that it was seeking to launch Asiasat 3 as quickly as possible and that the Proton launch was the earliest available slot.

The chips are down in Taiwan

Falling PC demand is forcing semiconductor groups to cut targets

The halcyon days of Taiwan's computer chip industry are over as semiconductor prices plummet and personal computer sales sag, prompting one chip maker to slash earnings targets and a group of investors to scrap plans for a new plant.

For Taiwan, one of the world's biggest producers of semiconductors, this is likely to be the beginning of a round of deep cuts in earnings forecasts and delays in plans to expand capacity.

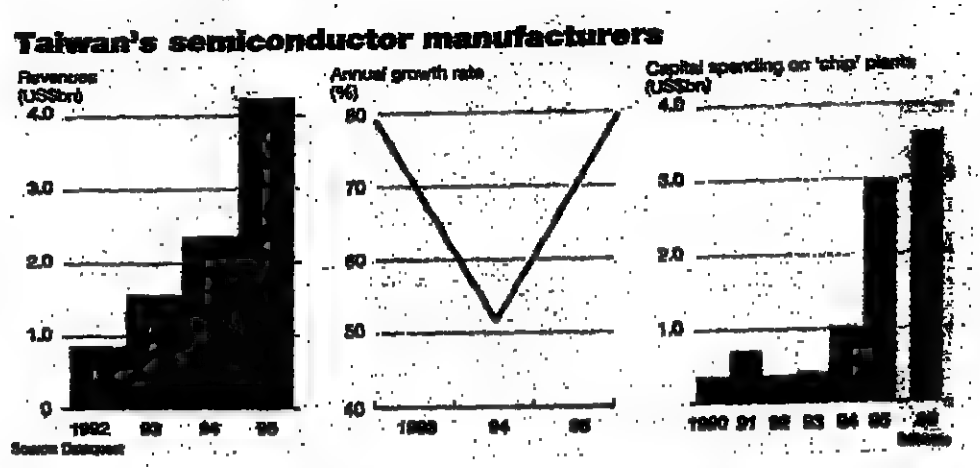
"People in the industry are gradually accepting the fact that this will be a bad year and next year could be even worse due to overcapacity and slower than expected personal computer sales," says Mr Derek Tien, an electronics analyst at Barings in Taiwan.

Taiwanese investors have woken up to the chip industry's price woes, sending share prices in the electronics sector – a market darling for the past two years – into a tail-spin.

Although few companies have announced changes in strategy, many are believed to be considering delaying the expansion plans under way at nearly all of Taiwan's chip-makers.

But some companies are calculating that, with increased capacity, the unit cost will come down and help offset reduced prices, analysts say.

"They'll try to make up the difference in volume but they're basically going to shoot themselves in the foot," says Mr John Nelson, head of research at brokerage Jardine Fleming's Taiwan office.



Despite price falls, the semiconductor business is still profitable. Profits have been reduced from earlier "obscenely" high margins to more moderate levels – bad news for share investors, but not necessarily for the companies themselves. "I don't see any existing local [semiconductor] companies going under, because they have a lot of cash saved up, but I'm a bit worried about the new entrants," says Mr Seth Peng, an electronics analyst at BZW.

Winbond Electronics, Taiwan's third-largest manufacturer of integrated circuits, recently nearly halved its 1996 sales and profits targets following falls in static random access memory (S-Ram) chip prices of more than 70 per cent in recent months. The company cut its 1996 pre-tax profit target from T$12bn to T$6bn ($221m) and the sales target from T$28bn to T$16bn, sending its shares sharply lower.

Winbond is the world's leading maker of high-speed S-Ram, or cache, chips, according to a company spokesman. Mosel Vitelic, the only Taiwan semiconductor concern to design as well as manufacture memory chips, is expected to follow suit shortly.

Mr Brian Appleby, a spokesman at Acer, Taiwan's largest computer maker, says the company has no plans to change its results targets for this year, despite falls of some 50 per cent in dynamic random access memory (D-Ram) prices since last year.

Acer is the largest shareholder in TI-Acer, Taiwan's biggest maker of D-Ram chips. The expansion programme under way at TI-Acer would not be affected, Mr Appleby says. "We see this as an opportunity. In a difficult price environment the weaker players tend to drop out, and we see ourselves as a very strong player." Unlike other chip makers, 50 per cent of TI-Acer's production is consumed internally.

Taiwan Semiconductor Manufacturing Corp (TSMC), one of the world's leading pure foundry chip plants (fabs) and Taiwan's biggest chip maker, is going ahead with its expansion programme as planned, an executive said. A foundry produces chips designed by other companies on contract and does not make its own products.

Other chip-makers, including Winbond and United Microelectronics Corp (UMC), are increasing the foundry proportion of their business in response to falling chip prices as sales are secured. UMC is continuing to increase capacity but will raise the foundry portion of its sales to more than 50 per cent this year, from 29 per cent in 1995.

The new entrants could face a tough time as their fabs will come on line as prices are at their lowest in several years. In March, a planned joint venture chip fab project between Hewlett-Packard and Taiwanese partners was cancelled.

D-Ram projects by Nan Ya Plastics, Taiwan's leading petrochemical company, and Powerchip, a joint venture fab between Taiwan's Umax group and Japan's Mitsubishi Electric, are both proceeding as planned and will start production later this year.

But analysts say the groups will probably be unable to recoup their large capital investments – in the range of US$1bn each – within two years. "It takes a lot of time to learn how to run these fabs so you can increase yields [that is, cut down the percentage of faulty chips], which is the crucial factor in this business," says Mr Tien at Barings. "In a highly competitive price environment, it may not be profitable for the less experienced players."

Laura Tyson

مكبر من الاصل

Severe weather in US and falling pulp price blamed for expected decline in first half

Ibstock wins tussle for Redland Brick

By Simon London

Ibstock, the building materials group, has emerged as the surprise buyer of Redland's UK brick interests, paying £160m ($242m) to become the country's largest brick manufacturer.

The company is financing the proposed acquisition with a 2-for-3 rights issue at 55p a share, to raise £100m net of expenses. The cash will be returned to shareholders if the deal, which gives Ibstock 35 per cent of the UK brick market, is referred to the Monopolies and Mergers Commission.

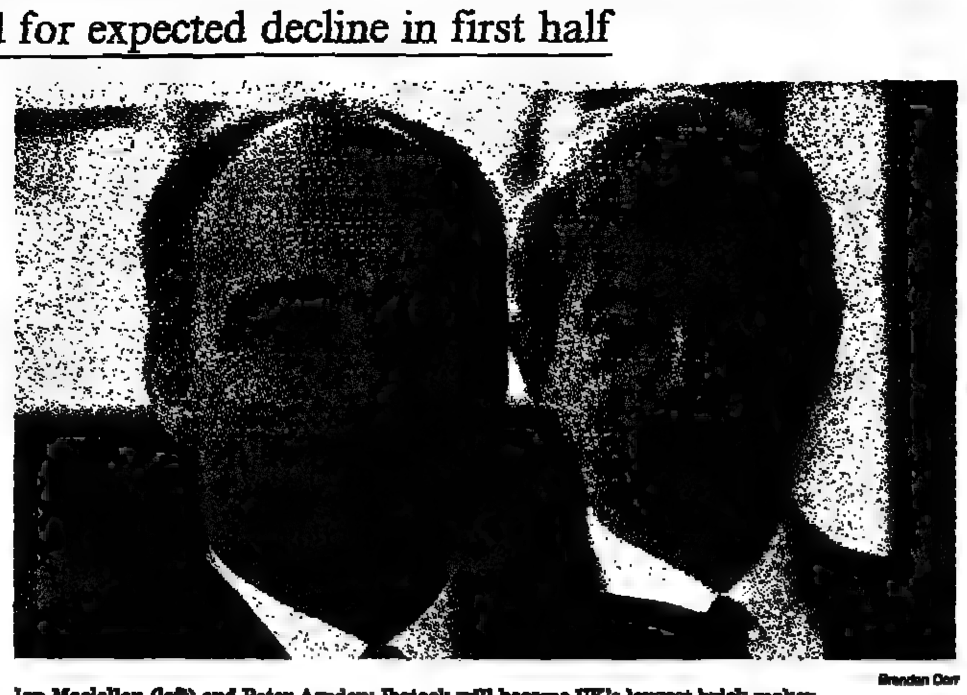
The announcement came as Ibstock unveiled an 83 per cent increase in pre-tax profits to £26.1m for 1995.

However, the company warned that severe weather in the US and tumbling pulp prices meant that profits for the first half of 1996 would be considerably below last year.

The acquisition would enable Ibstock to depose Hanson, which has market share of 31 per cent, as the UK's largest brick manufacturer.

Business combinations resulting in a market share of more than 30 per cent are usually referred to the MMC on the recommendation of the Office of Fair Trading. This had led many in the industry to discount Ibstock as a potential buyer for Redland Brick.

Redland Brick is the UK's third largest manufacturer with market share of 16 per cent. The company manufactures from 17 plants and produced operating profits of £11m on turnover of £85m in 1995. The net assets being acquired are £147m, including large reserves of clay. Redland is keeping investment properties valued at £15m which it plans to sell separately.



Brendan Dorr

Ian Maclellan (left) and Peter Aspden: Ibstock will become UK's largest brick maker

Destocking at ICI likely to leave second quarter lower

By Jenny Luesby

Imperial Chemical Industries, yesterday warned that second quarter profits would be lower than last year, as it unveiled a 9 per cent fall in first quarter pre-tax profits amid "tough trading conditions". The shares closed down 28p at 926p.

Mr Alan Spall, finance director, said the group had seen sales in continental Europe fall by 9 per cent, in volume terms, in the first three months. However, he was "optimistic that volume growth will resume in the second half".

Pre-tax profits excluding exceptionals fell to £202m ($305m) on sales up 3.7 per cent at £2.57bn, in the first quarter.

This figure compared with pre-tax profits of £193m on sales of £2.56bn in the fourth quarter of last year, the most difficult period experienced by the chemical industry in many years.

From the middle of last year manufacturers began running down their stocks of raw materials, leading to a sharp fall in demand for chemicals.

Destocking had continued into the first quarter in industrial chemicals, which last year accounted for half of trading profits, said Mr Spall. As a result, operating profits fell by 39 per cent, to £87m, on sales down 3 per cent, at £1.1bn.

The group had also seen "some slippage" in prices for its polyester plastic, used to make bottles.

Explosives division, operating profits fell from £11m to £2m, on sales of £189m. This fall occurred mainly in the US, where the group had experienced a "miserable" first quarter, and faced "uncertain" litigation.

Rentokil bid awaits Panel ruling

By Clay Harris and Geoff Dyer

The fate of Rentokil's £2bn ($3bn) bid for BET, the rival business services group, hung in the balance last night after a claim that the predator's advisers had broken takeover rules. The hotly contested offer is due to close today.

The Takeover Panel was considering BET's contention that the sale on Tuesday of a 2.8 per cent stake in its shares by the marketmaking arm of SBC Warburg, one of Rentokil's stockbrokers, was in breach of the Takeover Code.

Salomon Brothers bought the 27m shares and sold 24m of them almost simultaneously through ABN Amro Hoare Govett, another Rentokil broker, to an associate company of the bidder.

BET argued that this broke Rule 38 of the code, which forbids a marketmaker connected with a bidder or target from making any dealings which helps its client's cause. It asked the panel to block Rentokil's counting the shares towards its acceptances.

Demand for buses buoys Trinity

By Geoff Dyer

Strong demand for buses in the UK allowed Trinity Holdings, the specialist vehicle manufacturer, to improve annual profits by 22 per cent.

Although the figures were in line with analysts' forecasts, the shares fell 27p to 404p after the group disclosed higher than expected losses from its joint venture in Malaysia.

Mr Stephen Burton, chief executive, sounded optimistic about prospects, saying that it had a record order book at the beginning of the year equivalent to six months sales.

Exports were 28 per cent higher at £82.8m ($64.5m), representing 40 per cent of sales, buoyed by strong bus sales in Malaysia and Ghana. Dennis Specialist Vehicles, the group's largest operating company, increased sales by 40 per cent after its UK bus registrations grew by 37 per cent and coach registrations by 45 per cent.

Mr Burton said that the market had been strong last year because the fleet of buses in the UK was now very old and because of the growth of private bus companies, which have been investing heavily.

However, losses from the group's 34 per cent stake in a Malaysian joint venture trebled to £600,000 ($203,000) after margins were well below the group's expectations.

Dennis Eagle, which makes refuse vehicles, increased sales by 16 per cent, with exports doubling, while Carmichael International, the fire-fighting vehicle maker, recorded a significantly improved performance after undergoing a restructuring in the last year.

Lloyd's agencies to merge

Stace Barr, the Lloyd's of London agency headed by Mr John Stace, Lloyd's deputy chairman, is to acquire a rival agency in a deal which will make it the biggest group advising investors at the 300-year-old insurance market, writes Ralph Atkins.

Stace Barr, which acts as an adviser to traditional Names as well as the new generation of corporate investors at Lloyd's, is to merge with the "members" agency business of the Wellington agency. Wellington will continue to run "managing" agencies, running insurance syndicates at Lloyd's.

The deal will create a group advising investors underwriting business worth £900m ($1.36bn) a year, about 10 per cent of Lloyd's capacity.

Stace Barr and Wellington have co-operated for the past three years on syndicate research via a joint venture company, SBW Insurance Research.

Casual wear trend fails Austin Reed

By Simon Kuper

Austin Reed, the up-market clothing group, said that pre-tax profits dropped from £7.1m to £3.4m ($5.13m) last year because the womenswear collection lacked appeal.

Sales were 2 per cent ahead at £72.7m (£71.1m) for the year to January 31. Retail profits tumbled from £3.5m to £1.1m, manufacturing fell from £1.2m to £1.1m.

The group had tried to broaden its market by producing women's clothes that were less tailored and more casual than Reed's usually are. But both sales and margins fell on womenswear, which represents a fifth of group sales.

Reed has since returned to a more tailored look for women's clothes. This and the recovery in UK retail have raised like-for-like group sales 8 per cent so far this year.

Reed's shares rose 5p to 244p - back to the October 1994 record level. Ms Joan D'Olier, analyst at NatWest Securities, forecast pre-tax profits of £4.9m for a forward p/e of 23.2.

RESULTS

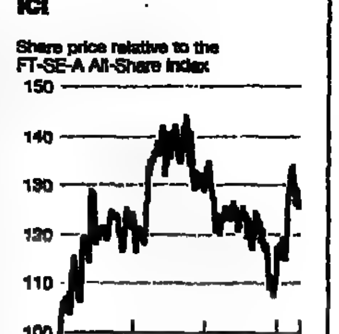
		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Amagen	Yr to Dec 31	1.65	(0.769)	1.75L	(3.98L)	3.8L	(8.6L)	-	-	-	-	-
Austin Reed	Yr to Jan 31	72.7	(71.1)	[illegible]	(7.13♥)	7.2	(18.6)	4	July 1	4	6	6
David Brown	Yr to Feb 2	161.2	(125.7)	14.1♠	(12.5)	15.3†	(14.9)	5.2	July 5	4.85	7.6	6.9
Development Secs	Yr to Dec 31	21.57	(17.95)	2.42	(4.88L♠)	7.1	(20.1L@)	[illegible]	July 3	1.8	2.4	2.4
DFS Furniture	6 mths to Jan 27	87.7	(73.7)	16.1	(13.1)	9.89	(8.27)	3.1	June 20	2.85	-	18.3※
Eleco	6 mths to Dec 31	12.8	(15.3)	0.096L	(0.252♥)	0.3L	(0.8)	0.25	July 10	nil	-	nil
Etam	Yr to Jan 27	201.8	(218.5)	0.152♠	(10.7)	0.37L	(10.9)	0.75	July 5	5.75	1.25	7.7
Ferraris	6 mths to Feb 29	6.35	(6.34)	0.488	(0.333)	3.8	(2.6)	1.05	July 29	0.95	-	[illegible]
Folkes	Yr to Dec 31	46.1	(39.2)	4.75	(3.01)	10.98	(8.39)	1.625■	July 1	0.983	2.442	1.575
Ibstock	Yr to Dec 31	250	(210.1)	26.1♠	(14.3)	5.67	(3.69)	1.25	July 1	1	2	1.5
ICI	3 mths to Mar 31	2,569	(2,477)	223♥	(244♥)	18.3	(21.1)	-	-	-	-	30
Intl Energy	Yr to Dec 31	68	(67.3)	4.41♠	(5.48)	6.33	(7.9)	2.9#	June 14	2.775	4.3	4.125
Ipeco	Yr to Dec 31	19.8	(18.4)	[illegible]	(2.13)	4.58	(6.01)	2.3	June 7	2.3	3.6	3.6
JKX Oil and Gas	Yr to Dec 31 ♦	[illegible]	(-)	2.01L	(0.178L)	4L†	(0.77L)	-	-	-	-	-
Langdons Foods	32 wks to Dec 31	1.92	(-)	0.141	(-)	0.15	(-)	0.1	May 31	-	-	-
Linton Park	Yr to Dec 31	174.8	(164.9)	9.77♥	(12.77)	37.1	(39)	12.5★	July 9	12.5	18.75	17.5
Ramco Energy §	Yr to Dec 31	6.89	(7.57)	0.754	(1.62)	2.54	(6.58)	1	July 26	1	1	1
Rhino	13 mths to Jan 31 ☆	59.5	(48.9)	8.51L	(2.67L)	4.83L†	(2.24L)	nil	-	nil	nil	nil
Rossmont	6 mths to Dec 31	1	(0.764)	0.137L	(0.198L)	0.54L	(0.81L)	nil	-	0.2	nil	0.4
Trinity Holdings	Yr to Jan 31	208.1	(183.8)	18	(13.1)	20.5	(18.8)	5.6	July 31	4.2	8.2	7.1

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
North Atlantic Smaller	Yr to Jan 31	378	(270)	0.154	(0.521L)	1.64	(5.7L)	nil	-	nil	nil	nil
Scottish Mortgage	Yr to Mar 31 ☆	309.8	(244.4)	21.4	(19.4)	5.93	(5.37)	3.15	July 1	3	4.65	4.4

Earnings shown basic. Dividends shown net except #gross throughout. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ※Includes special of 10p. ♦Comparatives pro forma. §USM stock. ☆Comparatives for 12 months to December 31. ■Including special of 0.788. @Restated. ★Comparatives restated.

LEX COMMENT

ICI



ICI's shares have outpaced the UK stock market by a tenth this year because of the belief that the chemicals group was riding out the industry's current downturn better than its rivals; and that it was about to launch a share buy-back. Yesterday's poor first quarter results poured cold water on both those hopes. On the trading front, the most worrying sign is the sharp drop in prices for polyester, which goes into fibres and plastic bottles. This accounted for an estimated 15-20 per cent of ICI's profits last year and is supposed to be a growth market as plastic bottles replace glass and tin. But, as so often in the chemicals industry, the anticipation of growth has attracted the bulk producers like flies around the honeypot. Eastman, Shell, Amoco and numerous east Asian groups are bringing on new plants. After jumping by 30 per cent last year, this looming overcapacity has sent prices sharply into reverse during 1996. ICI, in a bid to bring sense back to the market, has delayed its own capacity expansion in polyester.

This unwelcome experience will only prompt the group to accelerate its shift away from basic commodity chemicals into higher-margin products like paints and acrylics. The strategy looks correct, but buying such downstream assets is costly: ICI paid an expensive one times sales for Bunge paints in South America. That suggests it will want to maintain balance sheet strength, especially as it is unclear whether trading will pick up in the second half as management expects. That augurs against a buy-back soon and leaves the shares looking high enough.

DIGEST

Overseas advance for David Brown

David Brown Group, the specialist engineering manufacturer, yesterday reported a 13 per cent increase in profits following increased overseas sales of its industrial gears and rising demand for new component products.

Mr Chris Cooke, joint chief executive, said the improvement was fuelled mainly by higher contributions from the mobile drives business and the industrial gears division, which was expanded last year with the £13.8m acquisition of four manufacturing operations from the David Brown family.

Tim Burt

Ramco sees Azerbaijan cash

Ramco Energy, the independent oil company which is heavily involved in the development of oil in Azerbaijan, expects to receive the first cash from its largest project towards the end of next year.

Ramco, one of the pioneers of oil development in the former Soviet territories, disclosed a sharp fall in 1995 pre-tax profits yesterday, from £1.62m to £754,000 ($1.14m). Turnover fell to £6.89m (£7.57m), following an expected smaller annual payment from Pennzoil, the US oil company whose interest in the ACG project is carried by Ramco. The payment will rise again next year from $2.5m to $3m.

David Lascelles

Judgment awaited on Mid Kent

Mid Kent Holdings, one of England's smaller water companies, and two potential French predators yesterday finished presenting their arguments in a High Court case to determine whether the latter can proceed with a planned takeover bid.

The judgment is expected next week, Mid Kent said.

Leyla Boulton

TECHNOLOGY

Routine long-distance surgery is increasingly possible, says **Vanessa Houlder**, but several hurdles remain

Operations from afar

Medical history was made this year when a doctor performed remote surgery on a patient in another country. Luc Vanderheyden, a Belgium-based surgeon, diagnosed a hernia in a patient in the Netherlands, some 140 miles away. His equipment – originally devised by Nasa for emergency operations in space – was a joystick and a computer screen linked to a robotic arm.

"In the *future*, the far future, you could have a team of the very best surgeons, all located centrally, and have remote-controlled theatres scattered around the country," Vanderheyden said afterwards.

He is not alone in his vision of long-distance surgery. Brian Davies of Imperial College in London has built a remote robotic system. As well as supplying visual feedback to the surgeon, it has a control system that monitors resistance to the scalpel. This increases the surgeon's control over the operation, since it translates his or her movement of the instruments into smaller, more precise, movements of the scalpel.

Davies says that the results are encouraging, but more research is needed: "The whole area of tactile sensing is *in its infancy*."

Already the US army is conducting trials on a telesurgery system developed by SRI International, the research institute. Surgeons could treat battlefield casualties remotely, receiving visual and tactile feedback using a virtual reality headset and a glove with sensors. SRI believes the applications of remote surgery could go well beyond the military; specialist surgeons could treat a wider spread of patients.

But even if this vision becomes technically possible, there are doubts that it will ever prove economically and socially acceptable outside the realm of specialist users such as the military.

Suzanne Coles, author of a report on Telemedicine recently published by FT Pharmaceuticals and Healthcare *Publishing, is sceptical about* the take-up of technologies such as robotic surgery.

"As a novel technology, [robotic surgery] has extremely limited use within mainstream practice, is prohibitively expensive and requires the most advanced support technology to sustain its integration into healthcare delivery," she says.

Telemedicine – the term used to describe the use of computer technology and telecommunications as a substitute for face-to-face contact between doctors and patients – has been the subject of experiments for decades. In 1969, Nasa provided a medical service to communities on an Indian reservation using pioneering technology developed to monitor astronauts in space.

The first generation of telemedicine projects generally failed to take off. The quality of the images sent down phone lines was low, while patients and their insurers were generally unenthusiastic about the approach. But many of the obstacles have now been overcome.

"In the last decade, telemedicine has enjoyed a popular renaissance driven by significant advances in technology and a reduction in costs. Within the last five years, these advances have made telemedicine a workable reality," says Coles.

A study by Arthur D Little estimated that telemedicine could reduce annual US healthcare costs by at least $36bn (£24bn) through widespread electronic management of patient information, electronic claims processing, electronic inventory procedures and videoconferencing. Coles believes the remote delivery of computer-based patient records, radiology, dermatology, pathology and continuing medical education could offer cost savings within five years.

Already, teleradiology has taken off in some parts of the world. Since 1992, patients in the Middle East and parts of Asia have been able to consult specialists at Massachusetts General Hospital using teleradiology services provided by WellCare, a US telemedicine company. The key to this service is compression technology which cuts the time and cost required for transmission of medical images while using ordinary telephone lines. WellCare can transmit a radiograph over a voice-grade telephone in six minutes; without 20-to-1 compression, it would take more than two hours.

"The more you can compress images, the more economical the service can become," says Dr Mark Goldberg, president of American Telemedicine International.

Teledermatology is also showing promise in trials. Demand for skin specialists is rising with the incidence of skin cancer, yet rural and semi-rural communities are poorly served by dermatologists who are concentrated in urban centres.

In Powys, mid-Wales, for example, eight family doctor practices use desktop video-conferencing equipment to transmit images of patients' skin conditions to a consultant 50 miles away. The aim is to cut waiting and travelling times and widen access to treatment.

Some branches of telemedicine will take five to 10 years to be *implemented, according to Coles.* One example is breast examinations using telemammography. Although relatively inexpensive, the stringent regulations on the diagnostic quality of the digitised images will make it difficult to implement.

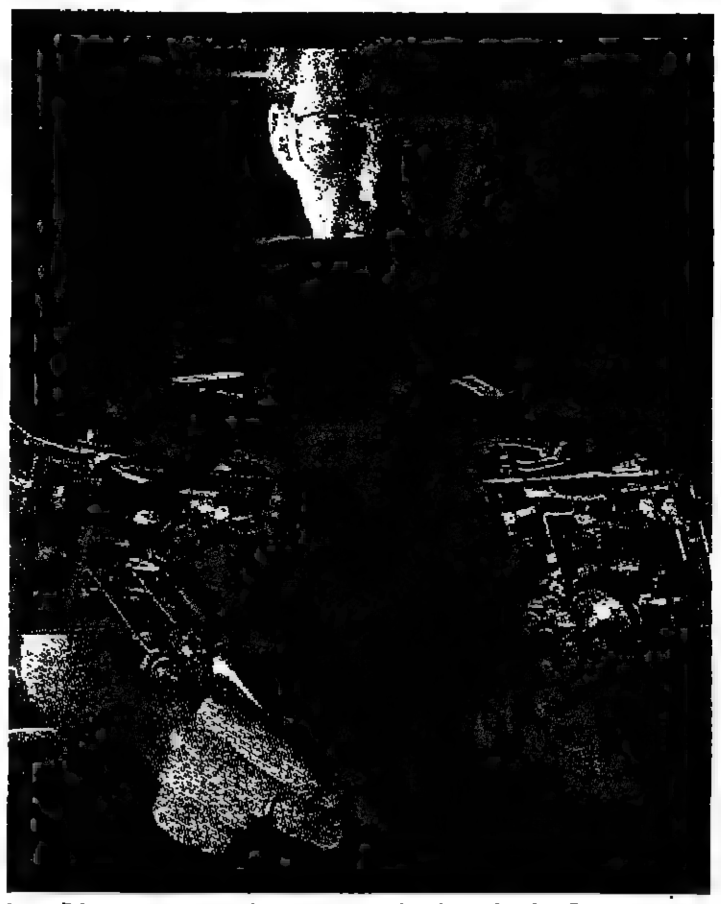
The array of technical solutions stimulated by telemedicine is impressive. But many of the barriers to its widespread implementation are not technical, but social, ethical or professional.

In Goldberg's view, the scepticism of insurers is one of the most important barriers to its widespread adoption. They need to be convinced that its benefits exceed the costs before they will agree to reimburse telemedical services.

Concerns about data security and data privacy are also serious impediments to progress. And doctors fear telemedicine could make them more vulnerable to litigation, particularly in the US. "Although telemedicine programmes have so far escaped legal attention, widespread implementation in the future will inevitably generate a new market for liability practice," says Coles.

The attitude of patients is another potential stumbling block. Even enthusiasts for telemedicine concede that few patients would feel comfortable undergoing an operation without a surgeon present.

Yet for all that, improvements in technology and demand for wider access to healthcare are likely to provide a stimulus to the development of telemedicine. If telemedicine becomes legally and socially acceptable, it could save money, time and lives.



Long-distance: surgeons could operate remotely using a virtual reality headset

MANAGEMENT

JOHN KAY

A down-payment to curb bid fever

It has been easy to fill the news columns of the Financial Times these last few weeks. Who will win the battle between BET and Rentokil? Will BT buy Cable and Wireless? Or is it better for Cable and Wireless to buy BT? National Power has bid for Southern Electric. Or then Southern Corporation might buy National Power.

With Ian Lang's welcome reassertion of the primacy of competition in Wednesday's decision to block two bids in the electricity industry, we have a new chance to take stock. Some of these bids make *sense*. But mostly they result from managerial self-aggrandisement. Companies with too much money are itching to hand it to merchant bankers or the shareholders of target firms.

The folks in Washington make lots of calls to New York, and the residents of New York often call the good people down in Washington. Perhaps that makes it logical that the same company should provide the phones at both ends. And perhaps Nynex, which owns all the lines in New York and quite a lot else besides, is not big enough to compete with all those other telecoms companies which are frantically making alliances with each other. Or maybe Bell Atlantic just loves a deal.

Mostly, we would be better off if the executives *involved* spent more time minding the store rather than negotiating to buy each other's stores. There is now a wide range of academic studies of post-merger performance which points to the conclusion that, taken as a whole, merger activity adds little or no value. Indeed this management preoccupation with changing the boundaries of the business, rather than improving its operating performance, may have become a real competitive disadvantage for British and American companies.

We need to put sand in the wheels of the takeover mechanism, not to bring it to a halt, since some bids are necessary and justified. More than that, the *threat of takeover at present is the* only important mechanism of managerial accountability that exists. The main proposal extant *to put* that sand in the wheels is to reverse the burden of proof in Monopolies and Mergers Commission investigations. Today the MMC can reject a merger only if it finds damage to the public interest. Better to make the parties show there are positive benefits to the public interest.

But that would not be enough. It is easy to envisage the resulting eloquent submissions to the MMC. I know, I have written them. The clichés are all already on my word processor: there is the need for critical mass; the ever-increasing intensity of global competition; that convergence of technologies *which demands fresh thinking* about industrial structure.

It is no easy task for the MMC to determine whether there is anything in these assertions. The way forward is to force companies

We need to put sand in the wheels of the takeover mechanism, not bring it to a halt

which make these assertions to put their money where their mouth is. When a merger has a potential anti-competitive effect – and that is true of almost all those currently under discussion – the parties should be required to demonstrate a specific benefit from the takeover to UK consumers. And the bidder should be required to put up a cash deposit – say 5 per cent of the acquisition cost – against subsequent demonstration to the Office of Fair Trading that the claimed benefits have actually been realised.

This idea is not as novel as it sounds. It is essentially the formula which Ofwat, the water regulator, and the MMC have applied to the recent mergers in the water industry. They have exacted specific and identifiable reductions in charges to water company customers as the price for the reductions in comparative competition which consolidation implies.

That concept has wider application. The 5 per cent figure is small in the context of the sums which changes hands in takeovers. It is less than the typical difference between the sighting shot and the second bid in a contested battle such as Granada/Forte or Rentokil/BET. It compares with a level of takeover premium which has historically averaged around 25 per cent, implying that consumers might anticipate a fifth of the gains which the acquirer expects to obtain from the takeover. Hardly an unreasonable share. If market forces could not ensure that customers got at least this fraction of the gains anyway, competition in the market is already inadequate.

But while small in the context of the overall consideration, 5 per cent is large enough to imply big sums of money. Rentokil would need to put down £100m or so: for Southern to get National Power it would need to find the best part of £500m.

At the current pace of merger frenzy, the chancellor might expect to receive enough this year to knock a penny off income tax. The chancellor might, of course, have to give that money back when the companies concerned proved the advantages which their customers had derived from the acquisitions. Granada, which celebrated its acquisition of Forte by raising hotel prices, would begin from some way behind the starting line, but others might find it easier.

If companies used the argument that it would be too difficult to identify specific benefits, that would tell us everything we need to know about the real merits of their proposals. And if they claim it would be too costly to provide the necessary information, then I am willing to undertake the investigations required for a fixed fee which would look very small by the standards of remuneration which professional advisers apply to takeover bids.

Companies themselves would be forced to look very carefully at whether mergers had yielded the gains they expected, and the results of their self-examination would be on public record. That process might in itself be the *greatest check on deal mania.*

COMMODITIES AND AGRICULTURE

'Latin America favoured for mining finance'

By Kenneth Gooding, Mining Correspondent

Latin America is finding most favour with bankers among the emerging countries that are scrambling to compete for funds for mining projects. But the former Soviet Union will have increasing difficulty in raising capital, according to Mr Gerard Holden, director-derivative finance, Barclays Metals Group, part of the UK-based bank.

He pointed out at the Investment in the Americas conference in Bal Habour, Florida, that Barclays, along with the European Bank for Reconstruction and Development, was the first to arrange finance for a mining venture in the Commonwealth of Independent States and had therefore seen first-hand many of the problems that would face future investors.

The CIS, he said, was "one of today's highest political risk areas for investment".

Mr Holden added: "We believe investors will not continue to favour an area which features crumbling infrastructure, bureaucratic delays, questions over title and ever inflating capital and operating costs".

Another region that had recently seen a rush of interest by mining companies was South East Asia. "However, this region does not seem to have adjusted itself to its new found fame and we believe it will be some time before developers and financiers are prepared to commit the substantial amount of resources required to bringing the region's industry to the same level of maturity as that of Latin America."

On the other hand, Africa "does have many of the qualities which we believe are necessary to make it attractive as an emerging market," said Mr Holden. "Specifically, almost the entire continent is highly prospective for minerals; there is a general sentiment of attraction to foreign investment and the mining industry is undergoing a determined thrust (with the encouragement of the World Bank) towards privatisation of state industries."

Dealing with Latin America, Mr Holden said Chile was the only country which was "developed and readily financeable". Unfortunately, however, Chile's domestic financial market had failed to participate significantly in the financing of the mining sector. "The country must work hard to liberalise the investment criteria of its pension funds and encourage its domestic banks to educate themselves to become comfortable as lenders to the mining sector."

There was a second group of countries that Mr Holden described as "developing and financeable with care". Among them were Argentina, Brazil, Guyana, Mexico, Panama and Peru. A third category, "underdeveloped and difficult to finance", included Ecuador, Nicaragua and Venezuela. "For these countries the political and country risks are the overriding consideration for potential financiers."

Mr Holden summed up: "The financial markets will come to the assistance of good projects in friendly countries but why should they struggle to finance mediocre projects in countries with unco-operative governments?"

Another view of the "best investments" in Latin America for the next five years was provided by Mr David Beatty, a director of Bunting Warburg, part of the SBC Warburg investment banking group. He picked Argentina, French Guiana and Peru as offering the best potential to the year 2000.

Silver and zinc were the metals with the best prospects in the next five years, said Mr Beatty. Companies likely to be best placed to take advantage of these trends included Bema Gold, Cambior, Eldorado Corporation, Golden Star Resources, Guyanor Resources, Northern Orion, Southwestern Gold and Peñoles.

Kazakhstan tries to woo disgruntled gold companies

By Sander Thoenes in Almaty

Kazakhstan is trying to make good on a broken promise to put one of the world's largest gold mines up for tender.

Mr Marat Bitimbayev, Kazakhstan's deputy minister for geology, said this week that nine gold mining companies, including Lonrho, the UK-based industrial conglomerate, and Western Mining, of Australia, had expressed interest in buying up to 100 per cent of the Vasilkovskoye mine in northern Kazakhstan.

"This is the biggest gold mine in Kazakhstan," he said, citing proven reserves of 400 tonnes, or 13.4m troy ounces. "We're convinced that if exploration is done properly, you can find another 400 tonnes," he added. Peak production could surpass 12 tonnes a year, almost as much as all other mines in Kazakhstan combined.

Once a host of other Western gold ventures had started production in coming years, the Vasilkovskoye could help Kazakhstan to triple its gold production, he predicted.

"If it is successfully sold it would be excellent news for the country," said Mr Rajat Kohli, mining analyst for MC Securities, the London investment bank. "Mining is one of their core industries. It will be a key source of revenues." Production costs at the open-pit mine could be around $175 per ounce, compared with $212 in the US, Mr Kohli said.

Despite that attraction, however, major gold producers such as BHP, Newmont and RTZ declined Kazakhstan's invitation to bid.

The Kazakh government shocked investors last year when it cancelled a similar tender, sponsored by the European Bank for Research and Development, and handed a 50 per cent stake directly to Placer Dome, of Canada. Placer Dome paid $35m up front and promised another $45m in bonuses, but backed out just hours before it was due to sign the contract.

"Placer Dome broke the internationally accepted rules," Mr Bitimbayev said. "It got a bad reputation in international banking circles, and could not get any financing for the project."

The government, too, ended up with a bad reputation, and some of the gold companies that declined to bid cited last year's scandal as their main reason.

One company said the Kazakh government had unfairly pushed it out of two tenders last year, first during the initial tender for Vasilkovskoye, then for an exploration project. "When you get bitten twice you're not going to try again," a company official said.

Mr Bitimbayev said the Kazakhs were "learning from their mistakes".

"Our government had only just started working," he explained. "We had no experience. But there is nothing to fear this time."

The government has put no minimum price on the bid and few conditions, but Mr Bitimbayev said it hoped to attract at least $300m in investments in reprocessing facilities, excavation of the pit and, later, new shafts. Production should peak at 15m tonnes of ore, and the majority of employees should be Kazakh, he said.

Kazakhstan is revising its taxation laws for mineral resources and Mr Kohli said the government appeared inclined to copy the Indonesian legislation, widely praised by gold producers. Kazakhstan recently legalised the export of gold, but in practice the one producing Western gold venture, Bakyrchik, still has to sell to the Kazakh National Bank at a discount of 2.5 per cent.

Study group forecasts another zinc supply shortfall

By Kenneth Gooding

Zinc demand in the western world will exceed supply by a substantial margin for the second successive year in 1996, according to the International Lead and Zinc Study Group, an intergovernmental organisation.

The western lead market also faces its second successive supply deficit, the study group suggests.

It forecasts that global zinc consumption this year is likely to rise by 1.8 per cent from the record 7.37m tonnes in 1995 to 7.5m tonnes.

Meanwhile, zinc metal output is predicted to increase by 2.2 per cent, from 7.29m tonnes to 7.44m.

This would produce a supply deficit for the year of about 60,000 tonnes compared with a deficit of 80,000 tonnes in 1995.

Western world consumption is forecast to grow by 1.6 per cent to 6.36m tonnes while metal output is predicted to be up 2 per cent to 5.56m tonnes.

The study group suggests, however, that the size of the deficit in the western world may be influenced by a resurgence of toll smelting by former eastern European countries, a practice that will be encouraged by higher tolling charges because zinc mine production is set to rise sharply – by 6.8 per cent to 7.22m tonnes.

Global lead demand is forecast to rise by 1.9 per cent to 5.65m tonnes with an increase of 1.8 per cent to 5.04m tonnes in the west. Global production is predicted to rise by 2.1 per cent to 5.55m tonnes while output in the west is forecast to be up by 2.7 per cent at 4.73m tonnes.

Australian wheat returns expected to 'very solid' for second season

By Nikki Tait in Sydney

The Australian Wheat Board, which handles all export sales of Australian wheat, predicted this week that growers could look forward to "a second season of very solid wheat returns" in 1996-97, "albeit slightly lower than the record 1995-96 prices".

The AWB said that it expected the market to remain "highly volatile" for the next three months until prospects for the northern hemisphere harvest became clearer.

"All attention is focussed on the problems being faced by the winter wheat crop in the US. Good conditions elsewhere in the globe are largely being ignored," it said.

"At present, limited cash buying of wheat is taking place in the world market and the true test will come when customers around the world demonstrate their buying strategy".

The AWB's predictions came as the organisation lifted its estimate of returns for most grades of wheat delivered in 1995-96 by a further $10 a tonne, and raised estimated returns for the yet-to-be-sown 1996-97 crop by a sharp $40 a tonne.

Australian Standard White Wheat, delivered in 1995-96 is now estimated to return $255 a tonne, up from the $245 a tonne figure released a month ago. For the 1996-97 crop, the AWB said: "Right now the market gives every indication that ASW will return $240 a tonne". It admitted that that was way above any other estimate it had ever issued at this time of year, but said that it was a "fair indication of market behaviour at present".

Aboriginal leaders hold out against weakening Native Title Act

By Nikki Tait

Aboriginal leaders in Australia yesterday made clear that they would oppose any "watering down" of the 1993 Native Title Act, which gave them a national procedure for asserting native title claims for the first time – and in particular, any moves to make land over which pastoral leases have been granted immune from native title claims.

The uncertainty over whether pastoral leases extinguish native title has been of growing concern to the mining industry, which claims that, in some cases, development is now being seriously hampered. While the uncertainty persists, native title claims can be formally registered on such land, triggering a potentially lengthy "right to negotiate" procedure.

The mining industry has urged Australia's new conservative federal government to legislate to clarify the matter.

But leaders of many of the main aboriginal groups met in Sydney this week to discuss possible amendments to the Native Title Act.

Yesterday, at the end of the two days of talks, they said that they "welcomed economic development, but that it could not be at the cost of watering down the Native Title Act".

MARKET REPORT

Copper sheds gains

London Metal Exchange COPPER prices failed to build on early gains yesterday afternoon as prices dipped back under speculative selling and profit-taking to end only $5 a tonne up on Wednesday's after hours "kerb" close of $2,605 a tonne in the three months delivery position.

Traders said the price had earlier jumped to a near four-month high of $2,631 on the back of robust cash buying, but it lacked follow-through interest.

Cash copper's premium over the three months price was last indicated at around $100, compared with Wednesday's close of $85-$90 and the single figure that prevailed in early April.

Today's LME warehouse stocks report was likely to hold the key to the market's next short-term direction, traders said. A small fall in stocks, as expected by some market makers, might boost upside sentiment and push prices towards resistance at the January 2 high of $2,650 a tonne, they suggested.

Compiled from Reuters

JOTTER PAD

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1578.5-9.5	1611-12
Previous	1572.5-3.5	1606-7
High/low	1579	1623/1610
AM Official	1579-9.5	1613-3.5
Kerb close		1615-6
Open int.	210,382	
Total daily turnover	33,588	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1330-40	1370-75
Previous	1330-40	1370-75
High/low		1380/1370
AM Official	1330-40	1370-80
Kerb close		1370-80
Open int.	5,806	
Total daily turnover	1,368	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	808-10	802-3
Previous	809-10	805-5.5
High/low	817/816	812/802
AM Official	817-7.5	809.5-10.0
Kerb close		
Open int.	36,841	
Total daily turnover	8,134	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	8015-25	8115-20
Previous	7940-50	8040-45
High/low	8044	8150/8110
AM Official	8043-4	8140-45
Kerb close		8130-50
Open int.	37,997	
Total daily turnover	7,022	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6535-45	6565-65
Previous	6510-20	6530-40
High/low		6595/6540
AM Official	6560-65	6580-82
Kerb close		6590-95
Open int.	16,857	
Total daily turnover	4,030	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1042.5-3.5	1068-9
Previous	1034.5-5.5	1060.5-1.0
High/low	1037	1074/1065
AM Official	1046-6.5	1071-2
Kerb close		1074-5
Open int.	72,887	
Total daily turnover	13,945	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2715-20	2616-7
Previous	2675-8	2595.5-6.5
High/low	2725/2720	2630/2608
AM Official	2721-3	2624-5
Kerb close		2610-11
Open int.	171,902	
Total daily turnover	59,747	

■ LME AM Official £/$ rate: 1.5109
LME Closing £/$ rate: 1.5125

Spot: 1.5133 3 mths: 1.5114 6 mths: 1.5098 9 mths: 1.5060

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	125.50	+0.70	126.00	124.50	346	1,195
May	123.00	+0.15	123.90	122.40	5,584	14,134
Jun	122.20	+0.55	122.60	122.10	[illegible]	1,810
Jul	120.90	+0.20	121.60	120.15	6,571	20,153
Aug	119.55	+0.10	118.60	118.90	40	581
Sep	118.30	-	119.00	117.70	445	4,725
Total					13,969	61,665

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	394.10-394.50		
Opening	390.30-390.60		
Morning fix	390.35	258.202	481.965
Afternoon fix	393.30	260.153	486.630
Day's High	394.40-394.70		
Day's Low	390.00-390.30		
Previous close	390.80-391.20		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.09	6 months	3.74
2 months	4.02	12 months	3.70
3 months	3.93		

Silver Fix	p/troy oz.	US cts equiv.
Spot	352.10	532.00
3 months	356.60	538.20
6 months	361.10	544.45
1 year	370.45	557.10

Gold Coins	$ price	£ equiv.
Krugerrand	393-396	260-262
Maple Leaf	403.95-406.50	-
New Sovereign	404-407	267-269

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

■ CRUDE OIL IPE ($/barrel)

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

■ GAS OIL IPE ($/tonne)

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

■ BARLEY LCE (£ per tonne)

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

■ SOYABEAN MEAL CBT (100 tons; $/ton)

■ POTATOES LCE (£/tonne)

■ FREIGHT (BIFFEX) LCE ($10/index point)

Apr	1465	+2	1458	1455	10	767
May	1399	+4	1400	1370	30	788
Jun	1302	-8	1305	1290	59	356
Jul	1280	-	1275	1260	45	1,981
Oct	1340	-2	1345	1339	[illegible]	945
Jan	1390	+10	-	-	-	56
Total					164	4,997

	Close	Prev
BFI	[illegible]	1455

FUTURES DATA
All futures data supplied by CMS.

SOFTS

■ COCOA LCE (£/tonne)

■ COCOA CSCE (10 tonnes; $/tonnes)

■ COCOA (ICCO) (SDR's/tonne)

■ COFFEE LCE ($/tonne)

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

■ COFFEE (ICO) (US cents/pound)

■ WHITE SUGAR LCE ($/tonne)

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

■ COTTON NYCE (50,000lbs; cents/lbs)

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

May	138.00	+1.35	138.50	135.60	3,118	4,658
Jul	137.10	+1.80	137.50	134.50	5,092	11,598
Sep	134.00	+2.00	134.05	131.50	242	3,012
Nov	126.60	+0.60	126.60	128.00	31	979
Jan	123.75	+1.05	123.75	122.70	40	3,092
Mar	125.75	+1.05	125.25	125.25	80	212
Total					8,613	23,665

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

Wool
Prices in New Zealand weakened to new low points for the season at the second auction to be held since Easter. The main market indicator fell 19 to 450 cents. Wool growers there continue to resist as best they can, and 43% of the offerings was withdrawn because prices were considered unsatisfactory. There was only one selling centre in Australia, Sydney, with low offerings, following heavy offerings last week. Anzac day on April 25 meant that no sales were held in either New Zealand or Australia. The Australian market showed no sharp movement and the Eastern market indicator closed at 547, aligned with last week's close, a low for the season. Weakness in the wool market is being related to subdued demand in the main consuming countries in Europe and the Far East, and no clear recovery in Chinese buying.

INDICES

■ REUTERS (Base: 18/9/31=100)

Apr 25	Apr 24	month ago	year ago
2137.3	2130.8	2135.8	2328.6

■ CRB Futures (Base: 1967=100)

Apr 24	Apr 23	month ago	year ago
261.38	261.07	252.95	243.18

■ GSCI Spot (Base: 1970=100)

Apr 24	Apr 23	month ago	year ago
214.78	215.89	209.13	183.89

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

■ LIVE HOGS CME (40,000lbs; cents/lbs)

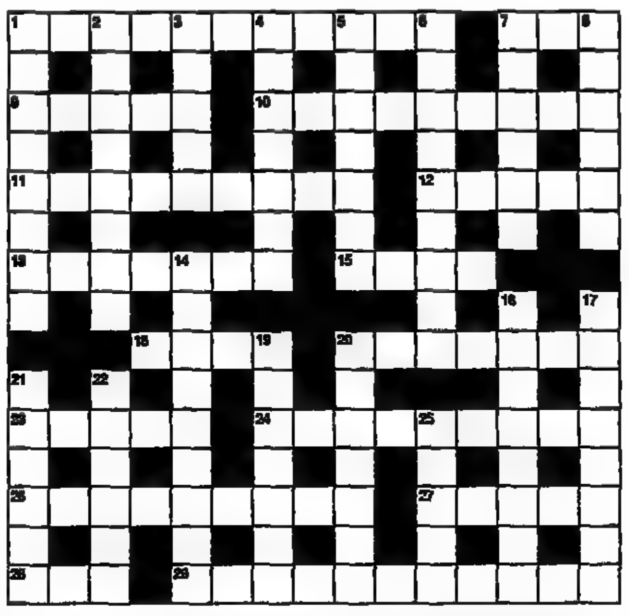
■ PORK BELLIES CME (40,000lbs; cents/lb)

LONDON TRADED OPTIONS

LONDON SPOT MARKETS

CROSSWORD

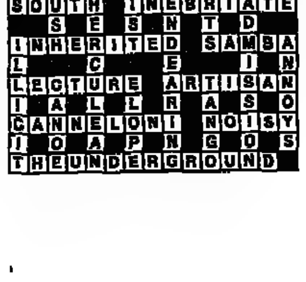
No.9,053 Set by QUARK



ACROSS
1 Shut up niece misbehaving? It's destructive to all involved (11)
7 Rebuke for the chatter (3)
9 College window (5)
10 Plan of lessons from the board I encountered inside (9)
11 I'm a supporter for a tot at mealtimes (4,5)
12 A little bay? Len, perhaps, is in it (5)
13 12gr could make hair curl (7)
15 Test formerly taking place before lunch (4)
18, 20 How bowler transgressed when series of balls went with pace (11)
23 Less inspiring circus performer (5)
24 Share distributed for vegetable producer? (9)
26 The greeting's a little bit of nonsense at the end of October (9)
27 American GI returns to ring a friend overseas (5)
28 Uninteresting road back to the unknown (3)
29 The landlord with journalists' printed matter? (11)

DOWN
1 Uniform temperature line mother is getting repaired (8)
2 The start of the flying is giving momentary pain (8)
3 Something from the past seen in derelict building (5)
4 Remove a passage (7)
5 Boil gently top to bottom and put over English duck (7)
6 To get free, trace exit somehow (9)
7 B-ban upset the French crowd (6)
8 Moderately fair (6)
14 The city round I'll prove must be changed (9)
16 Natural desire for fruit line no longer scarce, we hear (8)
17 Several of these for popular works? (8)
19 This is about a representative element of a chemical test (7)
20 What's called for in court? Certainly not a big noise (7)
21 Established but losing leader so felt irritation (6)
22 Lay poem – not a difficult commission? (6)
25 Beggar's vessel (5)

Solution 9,052



INTERNATIONAL CAPITAL MARKETS

Commodities put pressure on Treasuries

By Samer Iskandar in London and Lisa Bransten in New York

In a very quiet session, most European bond markets traded in narrow ranges yesterday. Spanish bonos were among the strongest performers, boosted by a stable currency and political optimism, while German bunds continued to outperform the US market. In the UK, gilts benefited from weaker than expected retail sales data for March.

■ US Treasury prices were mostly lower in early trading yesterday as commodity prices rose and Wall Street dealers continued to try to find buyers for the five-year notes they bought at Wednesday's auction.

Near midday, the five-year note was also unchanged, holding at 99[illegible] to yield 6.339 per cent, well above the 6.28 per cent average yield on the notes the Treasury department sold on Wednesday.

The benchmark 30-year Treasury was [illegible] lower at 89[illegible] to yield 6.839 per cent, while at the short end of the maturity spectrum, the two-year note was unchanged at 99[illegible], yielding 5.976 per cent. The June Treasury bond future lost [illegible] at 109[illegible].

Mr Woody Jay, head of global government securities trading at Lehman Brothers, attributed yesterday's declines to dealers trying to find yields high enough to attract retail buyers.

Dealers are reluctant to hold securities ahead of several sets of important figures due out next week, he said. The market is priced for an interest rate increase after the presidential election in November, but traders are worried the week's figures could be strong enough to spur the Federal Reserve to act sooner, he said.

Rising commodity prices also have traders nervous about the prospect for monetary tightening. Early yesterday afternoon the Knight Ridder-Commodity Research Bureau's commodity index was 1.27 higher at 262.65.

The market paid little attention to yesterday's weekly data on initial claims for unemployment benefits because the figures continued to be clouded by the effects of the 17-day strike at General Motors that ended in March.

■ French OATs fell only slightly when the central bank announced it was keeping its intervention rate unchanged. The decision to lower the 5 to 10-day repo rate – the emergency lending rate – by 0.6 percentage point was largely ignored by market participants. The Matif's June notional contract closed at 123.28, down 0.10.

In the cash market, the 10-year benchmark, the 7¼ per cent OAT due 2006, closed at 105.89, down 0.16.

The spread over 10-year bunds narrowed by 4 basis points to 6 points.

The June Pibor futures contract on 3-month interest rates fell by 0.04 point to 96.10.

GOVERNMENT BONDS

Ms Marie Owens Thomsen, chief economist at Banque Internationale de Placement/Dresdner Bank in Paris, believes the central bank's decision not to cut rates "shows that a strong French franc [on the foreign exchange markets] remains a major priority".

She said European bond markets were largely dominated by activity in the currency markets. "If the US dollar trades durably above the DM1.53 level, we could see a reversal of spreads", with French bond yields falling below those of German bunds.

■ The German market ended lower, ignoring the release of data showing that the annual rate of increase of west German cost of living had declined to 1.3 per cent in March, from 1.4 per cent in February.

Economists at UBS in Frankfurt said the data was "good news for bond markets as the improvement happened despite sharp increases in the prices of seasonal foodstuffs and mineral oil prices". They believe there is "a slight chance that (inflation rates) might be revised down" in the near future.

Liffe's June bund future settled at 96.96, down 0.12.

In the cash market, the 10-year spread of US Treasuries over bunds stood at 35 basis points.

Ms Owens Thomsen said that although she does not expect the US Federal Reserve to raise interest rates soon, this spread could continue to widen gradually over the next few weeks, "driven by inflationary fears" in the US.

■ UK gilts had a positive session, boosted by weaker-than-expected growth of retail sales in March. Liffe's June long gilt future settled at 106½, up [illegible]. The June short sterling future closed at 93.56, up 0.11, as analysts's expectations of a rise in base rates seemed to recede.

Although most economists still believe the next move on interest rates will be a rise, yesterday's weak economic data suggested that the tightening of monetary policy might start later than expected.

■ European high yielding markets saw little activity. There was no trading in Italy and Portugal, due to holidays. In London, Liffe's June BTP future closed at 114.17, up 0.14, after trading as high 114.64.

In the cash market, the yield spread over 10-year bunds narrowed by 1 basis point to 354 points.

The stability of the Italian Lira, at L1,020 against the D-Mark, reinforced analysts' expectations that the central bank might cut official interest rates in coming weeks.

Spanish bonds opened higher on rumours that the Party Popular was about to announce a deal with the Catalan nationalists, allowing the formation of a government.

The June future on 10-year bonos rose as high as 99.53 in early trading, but weakened on profit-taking later during the session. It settled at 99.20, up 0.35, but drifted lower in after-hours trading as political negotiations were reported to be dragging.

Stability encourages EIB to lead flood of new issues

By Conner Middelmann

Continued stability in government bond markets and underwriters' desire to get deals out before Japan's Golden Week next week resulted in another deluge of new supply onto the eurobond market yesterday.

The European Investment Bank led the way with a DM1bn five-year benchmark offering priced to yield 18 basis points over bunds, 3 basis points wider than recent – albeit smaller – D-Mark offerings for the World Bank and Austria. An official at Merrill Lynch, joint leads with Dresdner Kleinwort Benson, said the pricing reflected feedback gained during three days of pre-marketing. Some 60 per cent was placed in Asia and about 18 per cent went to German accounts, he said.

Komercni Banka, the Czech Republic's largest commercial bank, set a different kind of benchmark by being the first central European bank to issue a eurobond, $250m of five-year paper yielding 78 basis points over Treasuries. "The issue marks a move away from the syndicated loans market to a non-bank investor base," said lead manager CS First Boston.

The next eastern European borrower is likely to be Poland's Bank Handlowy, which is expected to bring a $100m three-year bond via J. P. Morgan next week.

INTERNATIONAL BONDS

Late in the day, Abbey National sought to tap into revived institutional demand for five-year paper which had made Wednesday's issue for ABN Amro such a success, by launching a deal with very similar terms: $500m of five-year bonds yielding 25 basis points over Treasuries. An official at Morgan Stanley – joint leads with Salomon Brothers – reported strong sales to UK and continental European institutions, although the spread widened slightly towards the close.

In the floating-rate sector, Stadshypotek, Sweden's largest mortgage lender, launched its debut eurobond, $300m of two-year paper at an all-in-cost of 8 basis points over Libor.

● IBCA, the European rating agency, has assigned a long-term currency rating of BBB-minus to Hungary – the country's first investment-grade rating. Standard & Poor's rates it BB+ and Moody's Ba1, its highest sub-investment grade ratings. Hungary's eurobonds have performed strongly in recent months on market speculation that its rating might be lifted.

According to IBCA, "Hungary has an unblemished record of debt service, having neither rescheduled its foreign debt nor asked for debt relief in a Brady plan."

It also pointed to "evidence that last year's Bokros package is delivering the expected improvement in the current account to a sustainable level" and said the economy had continued to grow, in marked contrast to similar countries facing a similar need to adjust.

Moreover IBCA noted that the large capital inflows in recent years had pushed up the official reserves of foreign currency and have reduced Hungary's net external debt from its 1994 peak.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Abbey National Trsy Srvcs	500	6.63	99.76R	May 2001	0.28R	+25(5¼%-01)	Morgan Stan./Lehman
Stadshypotek‡	300	(a)	99.95	May 1998	0.10	-	Lehman Bros.
Komercni Finance‡	250	7.13	99.55R	May 2001	0.35R	+78(5¼%-01)	CS First Boston
Banco do Nordest do Brazil	125	11.37	98.57R	May 2004	0.88R	+525(5%-99)	CS First Boston
DBS Land‡	120	(b)	100.0R	May 2001	0.25R	-	Nomura Sgpre/WestLB
Okobank‡	100	(c)	99.93R	May 2008	0.45R	-	Chemical Invst/PnWebber
CS First Boston(d)	50	7.25	100.35R	Apr 2001	0.35R	+70(5¾%-01)	CS First Boston
D-MARKS							
EIB	1bn	5.13	99.43R	May 2001	0.25R	+18(5¼%-00)	DKB/Merrill Lynch
SNCF	400	5.25	99.84R	May 2001	0.28R	+25(5¼%-00)	Morgan(Dtsc)/Nikko(Dtsc)
NordLB‡	100	(e)	100.0R	May 2006	-	-	JP Morgan
SWISS FRANCS							
De Grande Dixence	150	4.25	101.00	Jun 2006	STD	-	SBCW
GUILDERS							
Philips Electronics	300	7.00	99.75R	May 2006	0.45R	+60(f)	ABN Amro Hoare Govett
DANISH KRONER							
Dansk Naturgas	400	6.25	100.19R	Nov 2000	-	-	Paribas Lux.
CANADIAN DOLLARS							
BayerHypo	100	7.50	100.05R	May 1998	0.25R	+28(7¼%-01)	ScotiaMcCleod

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) 3-mth Libor Flat. b) 3-mth Libor +30bp. Callable in 5/99 and each payment date thereafter. c) 3-mth Libor +35bp. Steps up to 135bp in year 6. Call at par in year 5. d) Originally launched for $150m. e) 6-mth Libor +10bp

CSFP blames scandals for investor caution

By Nicholas Denton

Credit Suisse Financial Products, the derivatives subsidiary of CS Holding of Switzerland, has blamed the collapse of Barings and other derivatives scandals for a decline in custom in some markets.

In its annual review, CSFP said "sensationalist publicity" about bond and derivatives losses had "a materially adverse affect on the confidence of investors, and sparked a trend away from the use of the more complex products".

The fall-off in client activity was concentrated in the US, where several clients have sued Bankers Trust after making losses, and south-east Asia, where clients and banks have also clashed.

Companies in the US were also disconcerted by controversy over the accounting treatment of derivatives used for hedging, which can have the perverse effect under present rules of increasing the apparent volatility of earnings.

Despite the caution of investors, CSFP lifted earnings in dollar terms to $270m, up 9 per cent on 1994. It made more than CS First Boston, the investment banking subsidiary of CS Holding.

Earnings for most of CSFP's competitors are subsumed in the figures for the parent group. CSFP's results, in so far as they are a guide, show the industry largely withstood the backlash against complex "structured" derivatives.

Rising equity markets, which revived investor interest in futures and options allowing them to benefit from the trend, helped sustain earnings. Trading revenue from equity derivatives grew from $69m to $179m even as revenue from fixed income derivatives fell from $599m to $532m.

"Credit derivatives" - a new range of products which provide insurance against events such as sovereign default - were a growing area, CSFP said. But executives said the derivatives industry had matured to the point that it no longer depended on "the hot new product" for profitability.

In its review, the fullest description of any derivatives business to be made public, CSFP reveals the complexity of the risks. Only a quarter of its risks are to do with straightforward movements in interest rates and other markets.

A full three-quarters relates to complicated factors such as the volatility of markets, which affects the price of options contracts between CSFP and clients; and the shape of the yield curve, which alters the relative value of long and short-dated debt products.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	0.0000	–	0.00	9.08	8.95
Austria		6.125	02/06	98.1700	–0.040	6.38	6.50	6.70
Belgium		7.000	05/06	102.6000	–0.050	6.61	6.70	7.33
Canada *		8.750	12/05	106.6700	–0.340	7.75	7.75	7.60
Denmark		8.000	03/06	105.3600	+0.120	7.22	7.31	7.73
France	BTAN	5.750	03/01	100.7500	–0.130	5.56	5.70	5.75
	OAT	7.250	04/06	105.[illegible]	–0.160	6.43	6.53	6.75
Germany Bund		6.000	02/06	97.3300	–0.400	6.37	6.45	6.55
Ireland		8.000	08/06	103.4000	+0.220	7.50	7.69	8.03
Italy		9.500	02/06	0.0000	-	0.00†	10.19	10.52
Japan	No 140	6.600	06/01	119.1440	–0.120	2.41	2.39	1.80
	No 182	3.000	09/05	97.2920	–0.350	3.38	3.32	3.16
Netherlands		6.000	01/06	97.8000	–0.220	6.30	6.39	6.62
Portugal		11.875	02/05	0.0000	–	0.00	9.04	9.62
Spain		10.150	01/06	105.5100	+0.340	9.09	9.17	10.15
Sweden		6.000	02/05	86.3490	+0.110	8.24	8.37	9.23
UK Gilts		8.000	12/00	102-18	+12/32	7.33	7.50	7.44
		7.500	12/06	96-17	+5/32	7.99	8.07	8.14
		9.000	10/08	106-30	+1/32	8.10	8.16	8.25
US Treasury *		5.625	02/06	98-04	–13/32	6.59	6.57	6.44
		6.000	02/26	88-11	–21/32	6.84	6.84	6.75
ECU (French Govt)		7.500	04/05	104.8000	–0.090	6.77	6.93	7.33

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest

		Treasury Bills and Bond Yields			
		One month	5.12	Two year	5.97
Prime rate	8¼	Two month	5.03	Three year	6.12
Broker loan rate	7	Three month	5.14	Five year	6.33
Fed.funds	5¼	Six month	5.24	10-year	6.57
Fed.funds at intervention	-	One year	5.51	30-year	6.82

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	123.28	123.28	–0.10	123.46	123.12	9,420	148,007
Sep	121.82	121.82	–0.10	121.98	121.74	1,033	8,219
Dec	120.50	120.52	–0.08	120.64	120.50	200	5,715

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS May	CALLS Jun	CALLS Sep	PUTS May	PUTS Jun	PUTS Sep
120	-	3.36	-	-	0.08	0.79
121	-	2.38	-	-	0.15	-
122	1.28	1.56	1.33	-	0.31	1.53
123	0.28	0.86	0.88	-	0.60	-
124	-	0.39	0.55	-	1.08	-

Est. vol. total, Calls 13,709 Puts 13,833 , Previous day's open int., Calls 159,632 Puts 189,843.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	97.00	96.96	-0.12	97.13	96.86	127876	197468
Sep	96.20	96.06	-0.12	96.20	96.00	1643	7945

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jun	PUTS Jul	PUTS Aug	PUTS Sep
9650	0.67	0.54	0.84	0.99	0.41	1.06	1.28	1.43
9700	0.38	0.44	0.63	0.78	0.62	1.35	1.57	1.72
9750	0.36	0.29	0.45	0.59	0.90	1.73	1.89	2.03

Est. vol. total, Calls 13043 Puts 16586. Previous day's open int., Calls 202235 Puts 154762

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	114.00	114.17	+0.14	114.64	114.00	21198	61680
Sep	113.70	113.61	+0.12	113.70	113.70	136	617

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Jun	CALLS Sep	PUTS Jun	PUTS Sep
11400	1.18	2.01	1.01	2.50
11450	0.90	1.79	1.23	2.75
11500	0.69	1.58	1.52	3.07

Est. vol. total, Calls 3977 Puts 3546. Previous day's open int., Calls 60619 Puts 57946

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	98.94	99.20	+0.55	99.53	98.76	59,307	45,808

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	105-31	106-16	+0-12	106-21	105-29	56096	117104
Sep	104-30	105-16	+0-12	104-30	104-30	1	167

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Jun	CALLS Jul	CALLS Aug	CALLS Sep	PUTS Jun	PUTS Jul	PUTS Aug	PUTS Sep
106	1-11	1-01	1-22	1-[illegible]	0-43	1-[illegible]	1-54	2-06
107	0-41	0-42	0-60	1-12	1-09	2-10	2-28	2-44
108	0-20	0-25	0-41	0-[illegible]	1-52	2-57	3-09	3-33

Est. vol. total, Calls 763 Puts 1732. Previous day's open int., Calls 36472 Puts 36174

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	91.90	91.82	–0.08	91.96	91.74	2,740	7,130

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	109-23	109-23	–0-01	109-26	109-12	230,839	340,839
Sep	109-07	109-07	–	109-09	108-27	1,277	26,018
Dec	108-18	108-23	+0.01	108-23	108-14	55	5,404

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	117.90			117.92	117.56	4229	0
Sep	116.80			116.80	116.53	657	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price indices UK Gilts	Thu Apr 25	Day's change %	Wed Apr 24	Accrued interest	xd adj. ytd		Low coupon yield Apr 25	Apr 24	Yr. ago	Medium coupon yield Apr 25	Apr 24	Yr. ago	High coupon yield Apr 25	Apr 24	Yr. ago
1 Up to 5 years (24)	121.98	+0.21	121.72	2.60	2.72	5 yrs	7.43	7.51	8.27	7.46	7.55	8.33	7.58	7.66	8.46
2 5-15 years (19)	145.86	+0.33	145.06	2.56	3.36	15 yrs	8.15	8.15	8.32	8.16	8.20	8.39	8.25	8.29	8.61
3 Over 15 years (8)	160.[illegible]	+0.22	160.49	3.09	3.46	20 yrs	8.23	8.24	8.30	8.23	8.26	8.39	8.30	8.32	8.55
4 Irredeemables (6)	185.34	+0.29	184.80	4.43	1.47	Irred.†	8.27	8.29	8.35						
5 All stocks (58)	141.82	+0.27	141.45	2.69	3.14										

Index-linked							Inflation 5% Apr 25	Apr 24	Yr. ago	Inflation 10% Apr 25	Apr 24	Yr. ago
6 Up to 5 years (1)	195.14	+0.16	194.83	–0.02	4.45	Up to 5 yrs	2.67	2.75	3.33	1.26	1.32	1.84
7 Over 5 years (11)	187.03	+0.14	186.77	1.22	1.33	Over 5 yrs	3.71	3.72	3.78	3.50	3.51	3.59
8 All stocks (12)	187.08	+0.14	186.83	1.19	1.40							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Apr 25	Apr 24	Apr 23	Apr 22	Apr 19	Yr ago	High*	Low*
Govt. Secs. (UK)	92.73	92.57	92.42	92.74	92.55	91.96	96.34	91.97
Fixed Interest	112.36	112.26	112.10	112.10	112.04	111.27	115.23	110.74

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974

GILT EDGED ACTIVITY INDICES

	Apr 24	Apr 23	Apr 22	Apr 19	Apr 18
Gilt Edged bargains	108.3	122.4	102.4	79.8	93.9
5-day average	101.4	97.1	98.8	84.3	84.3

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:30 pm on April 25

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	97⅞	97⅞	–⅛	6.99
ABN Amro Bank 7¼ 05	1000	100⅝	100⅞	–⅛	7.28
African Dev Bk 7⅞ 23	500	98⅞	98⅞	–⅛	7.70
Alberta Province 7⅞ 98	1000	102⅝	103⅛	–⅛	6.38
Asian Dev Bank 6¼ 05	750	95½	95⅞	–⅛	7.02
Sweden 8 97	2500	105⅛	105⅝	–⅛	3.77
United Kingdom 7¼ 97	5500	105	105⅛	–⅛	3.84
Volkswagen Intl Fin 7 03	1000	102⅛	102⅝	–⅛	6.48
World Bank 0 15	2000	30⅝	30½	+⅛	6.25
World Bank 5⅞ 03	3000	99⅛	99⅝		5.91
Abbey Natl Treasury 6 03 £	1000	99⅛	99	+⅛	8.24
Alliance Leics 11⅞ 97 £	100	104⅝	104⅞		8.60
British Land 8⅞ 23 £	150	88⅝	88⅝	+⅛	10.39
Denmark 6⅞ 98 £	800	99⅛	99⅞	+⅛	7.09
EIB 6 03 £	1000	99⅛	100	–⅛	8.04
Glaxo Wellcome 8¾ 05 £	500	100⅛	101	–⅛	8.62
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Shorts" (Lives up to Five Years)							
Treas 15¼pc 1996‡‡		15.22	–	100[illegible]	–	107[illegible]	100[illegible]
Exch 13¼pc 1996‡‡		13.20	6.01	100[illegible]	–[illegible]	108[illegible]	100[illegible]
Treas 2pc 1996		0.92	5.75	217[illegible]	+[illegible]	217[illegible]	207[illegible]
Conversion 10pc 1996		9.79	6.00	102[illegible]	–[illegible]	104[illegible]	102[illegible]
Treas 13¼pc 1997‡‡		12.60	6.05	105[illegible]	–	109[illegible]	105[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas 12½pc 2003-5		9.96	7.95	125½	+[illegible]	131⅛	122[illegible]
Treas 8½pc 2005‡‡		8.20	7.94	103[illegible]	+[illegible]	108[illegible]	99[illegible]
Treas 7½pc 2006‡‡		7.77	7.98	96[illegible]	+[illegible]	101[illegible]	94[illegible]
Treas 7¾pc 2006‡‡		7.80	8.01	99[illegible]	+[illegible]	103¼	94[illegible]
Treas 8pc 2002-6‡‡		8.00	8.03	100	+[illegible]	104[illegible]	95[illegible]
Treas 11¾pc 2003-7		9.80	7.88	119[illegible]	+[illegible]	125[illegible]	119½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Index-Linked	Notes	Yield (1)	Yield (2)	Price £	+ or –	52 week High	52 week Low
4⅝pc '98‡‡	(135.6)	1.28	[illegible]	[illegible]	+[illegible]	113[illegible]	109[illegible]
2½pc '01	(78.3)	3.00	3.54	178[illegible]	+[illegible]	180[illegible]	170[illegible]
2½pc '03	(78.8)	[illegible]	3.59	174½	+[illegible]	176[illegible]	168[illegible]
4⅝pc '04‡‡	(135.6)	3.23	3.60	114[illegible]	+[illegible]	116[illegible]	110[illegible]
2pc '06	(69.5)	3.33	3.62	182[illegible]	+[illegible]	[illegible]	173[illegible]
2½pc '09	(78.8)	3.43	3.67	164[illegible]	+[illegible]	167[illegible]	158[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in February 1987. Conversion factor 3.945. RPI for August 1995: 149.9 and for March 1996: 151.5.

Other Fixed Interest

	Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real Index-Linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices.

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CURRENCIES AND MONEY

MARKETS REPORT

Buba comments help dollar reach 14 month high

By Philip Gawith

The dollar yesterday rallied to a fresh high after comments from a senior Bundesbank official were taken as licence to continue buying dollars and selling D-Marks.

The trigger for the latest move was observations from Mr Franz-Christoph Zeitler, a Bundesbank council member, that the D-Mark was still overvalued against the dollar.

Comments that the D-Mark was no longer overvalued against high-yielding European currencies put an end to their recent rally, but Mr Zeitler was silent about the important D-Mark/yen rate. The D-Mark closed at Y69.64, down from Y70.16.

The biggest move in the markets came from the South African rand, which plunged 19 cents against the dollar to a fresh historic low of R4.45, compared to the previous London close of R4.26. The rand was the victim of political uncertainty about a planned general strike next week, and fears that the new finance minister, Mr Trevor Manuel, may prove less fiscally rigorous than his predecessor.

The dollar finished in London at DM1.5295, from DM1.5219. Against the yen it closed at Y106.515 from Y106.785.

The Italian lira closed at L1,021 against the D-Mark, from L1,023, after earlier reaching an 18 month low around L1,017.

The Swedish riksbank continued the recent trend in Europe towards lower interest rates by cutting the interest rate corridor by 75 basis points. The krona closed slightly lower against the D-Mark at SKr4.442, from SKr4.435.

■ Pound in New York

Apr 25	Latest	Prev. close
£ spot	1.5115	1.5115
1 mth	1.5108	1.5107
3 mth	1.5085	1.5078
1 yr	1.5048	[illegible]

Sterling continued its upward march against the D-Mark, finishing at DM2.3116, from DM2.3023. It was little changed against the dollar at $1.5114 from $1.5128.

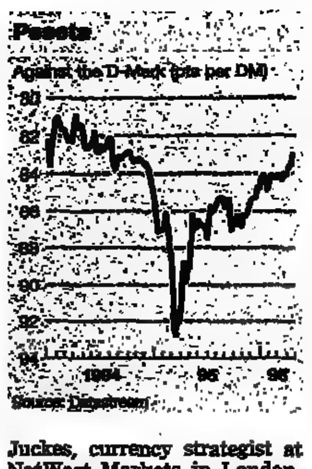
■ Mr Zeitler's silence on the D-Mark/yen rate was curious given the historically close link between this rate and German exporter confidence. Mr Chris Turner, currency strategist at BZW in London, said: "If the German authorities really want a weaker D-Mark to aid recovery, the cross rate they need to worry about is D-Mark/yen."

Mr Turner said that bilateral trade between the two countries was fairly low, suggesting that the importance of the rate related to their relative competitiveness in third markets. He said the D-Mark needed to fall well below Y70 if it was to affect exporter confidence.

Not everyone believes the yen is set to rally further against the D-Mark. Mr Kit

Peseta

Against the D-Mark (pts per DM)



Source: Datastream

Juckes, currency strategist at NatWest Markets in London, forecasts the D-Mark at Y75 in September. "We take comfort that the strength of the Nikkei reflects the increase in liquidity in the Japanese financial system which we believe will cause renewed yen weakness in due course." He said he was sceptical about predictions of higher Japanese interest rates, which had boosted the yen recently.

■ One of the silent winners in the recent process of exchange rate moves has been sterling – coming, ironically, against the backdrop of a government in an increasingly weak position. It has been the last of the big devaluers in 1992/3 to enjoy a significant rally.

Mr Turner said there appeared to be a re-appraisal underway of the conventional argument that sterling was the victim of "political concerns". He said it was possible that the the fiscally responsible, pro-EMU policies of left-leaning governments in Sweden and Italy was making the prospect of a Labour government in the UK more palatable.

"We have long argued," said Mr Turner, "that the political risk for sterling is not so much who wins the election but rather what the current government might do in terms of taking risks with the macro-policy stance ahead of it."

■ There is wide agreement that the rand has become detached from economic fundamentals. The problem for the government is that volatility makes it more difficult to relax exchange controls, but that volatility may well persist so long as the threat of exchange control relaxation hangs over the market.

Mr Chris Stals, governor of the Reserve Bank, told Reuters yesterday: "It is getting more difficult to remove exchange controls. We first have to get stability back into the market. Whatever we do on exchange controls must be done in an atmosphere of more stable conditions."

■ OTHER CURRENCIES

Apr 25	£	$
Czech Rp	41.9049 - 41.9449	27.7350 - 27.7450
Hungary	[illegible]	147.320 - 147.370
Iran	[illegible]	[illegible]
Kuwait	[illegible]	[illegible]
Poland	4.0024 - 4.0093	2.6480 - 2.6520
Russia	[illegible]	[illegible]
U.A.E.	5.5489 - 5.5538	3.6726 - 3.6731

POUND SPOT FORWARD AGAINST THE POUND

Apr 25		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.2634	+0.0662	588 - 715	16.2955	16.2074	16.2322	2.3	16.1572	2.8	-	-	104.9
Belgium	(BFr)	47.5169	+0.1965	951 - 386	47.5880	47.3260	47.2154	2.7	47.0054	2.7	46.0654	2.8	106.6
Denmark	(DKr)	8.9117	+0.0323	068 - 166	8.9247	8.8835	8.884	2.1	8.8312	2.2	8.6879	2.2	107.3
Finland	(FM)	7.3124	+0.0183	049 - 198	7.3189	7.2880	7.2897	0.7	7.2816	0.7	-	-	81.0
France	(FFr)	7.8061	+0.0307	030 - 092	7.8206	7.7797	7.7613	2.2	7.7004	2.2	7.6005	2.2	109.4
Germany	(DM)	2.3116	+0.0093	105 - 126	2.3155	2.3050	2.2973	[illegible]	2.2869	2.7	2.2368	2.9	108.5
Greece	(Dr)	367.651	+1.463	451 - 851	367.933	366.360	-	-	-	-	-	-	67.2
Ireland	(I£)	0.9693	+0.0001	685 - 700	0.9701	0.9681	0.9684	1.0	0.9671	0.9	0.9608	0.9	98.4
Italy	(L)	2360.35	+5.63	927 - 145	2362.88	2346.37	2362.92	-4.2	[illegible]	-4.0	2430.72	-3.2	75.6
Luxembourg	(LFr)	47.5169	+0.1965	951 - 386	47.5880	47.3260	47.2154	2.7	47.0054	2.7	46.0654	2.8	106.6
Netherlands	(Fl)	2.5876	+0.0105	861 - 891	2.5944	2.5780	2.5708	3.0	[illegible]	3.0	[illegible]	3.0	106.9
Norway	(NKr)	9.9251	+0.0328	165 - 337	9.9402	9.8840	9.8833	1.1	9.8842	1.1	9.7886	1.3	96.6
Portugal	(Es)	236.466	+0.787	320 - 612	236.918	235.678	236.104	[illegible]	237.009	-2.3	-	-	95.2
Spain	(Pta)	191.677	+0.33	582 - 772	191.842	191.117	191.657	-1.9	192.152	-1.7	193.607	-1.3	81.8
Sweden	(SKr)	10.2659	+0.0606	552 - 765	10.3058	10.1957	10.2065	-0.1	10.206	-0.1	10.2102	0.0	88.8
Switzerland	(SFr)	1.8687	+0.003	675 - 699	1.8739	1.8625	1.8595	4.0	1.8467	4.1	1.7891	4.1	112.8
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	84.3
Ecu	-	1.2288	+0.0056	280 - 296	1.2300	1.2242	1.2218	1.3	1.2189	1.4	[illegible]	1.4	-
SDR†	-	1.046500	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5103	-0.0014	089 - 116	[illegible]	[illegible]	-	-	-	-	-	-	-
Brazil	(R$)	1.4962	-0.0013	975 - 988	1.5014	1.4962	-	-	-	-	-	-	-
Canada	(C$)	2.0626	+0.0045	616 - 636	2.0672	2.0603	2.0574	0.4	2.0537	0.3	2.0457	0.8	84.4
Mexico	(New Peso)	11.1417	-0.106	232 - 601	11.1973	11.1230	-	-	-	-	-	-	-
USA	($)	1.5114	-0.0014	109 - 118	1.5152	1.5095	1.5121	0.6	1.5106	0.5	1.5048	0.5	96.7
Pacific/Middle East/Africa													
Australia	(A$)	1.9196	-0.0066	184 - 207	1.9234	1.9164	1.9207	-1.6	1.9258	-1.6	1.951	-1.7	92.8
Hong Kong	(HK$)	11.6903	-0.0123	861 - 945	11.7201	11.6772	11.6845	0.6	11.6869	0.7	11.6651	0.3	-
India	(Rs)	51.7638	+0.1016	972 - 303	51.9305	51.5970	-	-	-	-	-	-	-
Israel	(Shk)	4.8024	+0.0012	971 - 077	4.8084	4.7970	-	-	-	-	-	-	-
Japan	(Y)	160.982	-0.582	895 - 067	162.120	160.890	160.619	5.4	[illegible]	5.5	152.914	5.3	137.7
Malaysia	(M$)	3.7862	+0.0032	833 - 871	3.7884	3.7606	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2136	-0.0074	118 - 154	2.2227	2.2115	2.226	-2.7	[illegible]	-2.6	[illegible]	-2.2	107.2
Philippines	(Peso)	39.5672	-0.0228	798 - 545	39.6550	39.4795	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.6680	-0.0052	659 - 700	5.6818	5.6614	-	-	-	-	-	-	-
Singapore	(S$)	2.1287	-0.0041	273 - 301	2.1349	2.1254	-	-	-	-	-	-	-
South Africa	(R)	6.6953	+0.2477	887 - 048	6.7139	6.4549	-	-	-	-	-	-	-
South Korea	(Won)	1178.17	-0.07	778 - 880	1180.31	1176.61	-	-	-	-	-	-	-
Taiwan	(T$)	41.1049	-0.0609	904 - 194	41.1990	41.0569	-	-	-	-	-	-	-
Thailand	(Bt)	38.2372	-0.014	107 - 637	38.3070	38.1590	-	-	-	-	-	-	-

† Rates for Apr 24. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 25		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P. Morgan index
Europe													
Austria	(Sch)	10.7609	+0.0685	567 - 630	10.7710	10.6910	10.7414	2.2	10.6994	2.3	10.5159	2.3	104.8
Belgium	(BFr)	31.4400	+0.16	350 - 450	31.4600	31.2710	31.385	2.1	31.27	2.2	30.73	2.3	106.6
Denmark	(DKr)	5.8965	+0.027	950 - 980	5.9023	5.8610	5.889	1.5	5.872	1.7	5.803	1.6	107.0
Finland	(FM)	4.8383	+0.0167	348 - 418	4.8420	4.8118	4.8318	1.6	4.8198	1.5	4.7743	1.3	80.2
France	(FFr)	5.1650	+0.0252	645 - 655	5.1740	5.1420	5.1581	1.6	5.1438	1.6	5.076	1.7	109.0
Germany	(DM)	1.5295	+0.0076	292 - 297	1.5312	1.5198	1.527	2.0	1.5212	2.2	1.493	2.4	107.8
Greece	(Dr)	243.280	+1.2	200 - 360	243.490	241.670	244.935	-8.3	248.285	-8.3	262.28	-7.8	66.7
Ireland	(I£)	1.5593	-0.0016	585 - 601	1.5635	1.5569	1.5598	-0.4	1.5607	-0.4	1.5522	0.5	-
Italy	(L)	1561.75	+5.25	150 - 200	1562.85	1550.50	1567.8	-4.6	1579.35	-4.5	1620.25	-3.7	75.2
Luxembourg	(LFr)	31.4400	+0.16	350 - 450	31.4600	31.2710	31.387	2.0	31.2805	2.0	30.8	2.0	106.6
Netherlands	(Fl)	1.7121	+0.0086	116 - 126	1.7170	1.7032	1.7087	2.3	1.7016	2.4	1.6699	2.5	106.5
Norway	(NKr)	6.5671	+0.028	633 - 708	6.5736	6.5300	6.5641	0.5	6.5586	0.5	6.5221	0.7	97.6
Portugal	(Es)	156.460	+0.57	410 - 510	156.650	155.810	156.775	-2.4	157.365	-2.3	159.51	-1.9	95.3
Spain	(Pta)	126.825	+0.34	800 - 850	126.940	126.250	127.075	-2.4	127.505	-2.1	129.045	-1.8	81.4
Sweden	(SKr)	6.7925	+0.0457	875 - 975	6.8210	6.7237	6.8036	-2.0	6.821	-1.7	6.868	-1.0	88.7
Switzerland	(SFr)	1.2365	+0.0032	360 - 369	1.2390	1.2280	1.2329	3.4	1.2255	3.6	1.192	3.6	112.2
UK	(£)	1.5114	-0.0014	109 - 118	1.5152	1.5095	1.5107	0.6	1.5095	0.5	1.5034	0.5	83.7
Ecu	-	1.2300	-0.0068	296 - 304	1.2366	1.2266	1.2306	-0.7	1.2324	-0.8	1.2412	-0.9	-
SDR†	-	0.69130	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9995	-	997 - 999	0.9999	0.9995	-	-	-	-	-	-	-
Brazil	(R$)	0.9913	+0.0001	911 - 914	0.9915	0.9911	-	-	-	-	-	-	-
Canada	(C$)	1.3648	+0.0043	645 - 650	1.3657	1.3538	1.3645	0.1	1.3649	0.0	1.3677	-0.2	83.9
Mexico	(New Peso)	7.3720	-0.063	620 - 820	7.3900	7.3600	7.5895	-25.8	7.7165	-18.8	9.462	-28.8	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.4
Pacific/Middle East/Africa													
Australia	(A$)	1.2700	-0.0045	697 - 705	1.2709	1.2695	1.272	-1.9	1.2755	-1.7	1.2942	-1.9	93.8
Hong Kong	(HK$)	7.7350	-0.0007	345 - 355	7.7359	7.7340	7.7357	-0.1	7.7376	-0.1	7.7645	-0.4	-
India	(Rs)	34.2500	+0.1	500 - 500	34.3500	34.1490	34.4	-5.3	34.705	-5.3	36.175	-5.6	-
Israel	(Shk)	3.1776	+0.0039	750 - 801	3.1807	3.1730	-	-	-	-	-	-	-
Japan	(Y)	106.515	-0.27	490 - 540	107.150	106.400	106.07	5.0	105.17	5.1	101.43	4.8	137.5
Malaysia	(M$)	2.5045	+0.0045	040 - 050	2.5055	2.4985	2.5054	-0.4	2.5115	-1.1	2.535	-1.2	-
New Zealand	(NZ$)	1.4646	-0.0034	639 - 654	1.4656	1.4630	1.4677	-2.5	1.4735	-2.4	1.4981	-2.3	-
Philippines	(Peso)	26.1800	+0.01	300 - 300	26.2300	26.1300	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7503	+0.0002	500 - 505	3.7507	3.7501	3.7508	-0.1	3.7515	-0.1	3.7546	-0.1	-
Singapore	(S$)	1.4065	-0.0013	060 - 090	1.4095	1.4065	1.405	3.0	1.399	2.7	1.3735	2.5	-
South Africa	(R)	4.4300	+0.168	250 - 350	4.4422	4.2625	4.4557	-7.5	4.5103	-7.2	4.7395	-6.9	-
South Korea	(Won)	779.550	+0.7	500 - 600	779.700	779.100	-	-	-	-	-	-	-
Taiwan	(T$)	27.1975	-0.0075	960 - 990	27.2120	27.1950	27.2175	-0.9	27.2575	-0.9	-	-	-
Thailand	(Bt)	25.3000	+0.015	900 - 100	25.3150	25.2890	25.3987	-4.7	25.6025	-4.6	26.495	-4.7	-

† SDR rate per $ for Apr 24. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Apr 24: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

April 25	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	2.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	2.50	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.70	-	5.60
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.70	-	5.60
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
Ireland	5	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
Italy	[illegible]	[illegible]	9	[illegible]	[illegible]	-	9.00	9.65
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	9.00	10.00
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	1.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	5.00	1.50	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	½	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	½	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.13	5.15	5.25	5.55	-	-	-
week ago	-	5.13	5.15	5.24	5.55	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Apr 25	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (FFr5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.15	96.10	-0.04	96.15	96.09	26,815	61,554
Sep	96.14	96.10	-0.02	96.14	96.08	12,925	47,597
Dec	[illegible]	95.92	-0.02	[illegible]	95.90	4,946	28,142

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.84	96.84	-	96.85	[illegible]	15585	215894
Sep	96.84	96.84	-	96.88	[illegible]	15400	[illegible]
Dec	96.66	96.65	-0.01	[illegible]	96.63	22998	197472
Mar	96.35	96.34	-0.01	96.37	96.33	15680	126425

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	91.30	91.27	-0.01	[illegible]	91.25	8454	47676
Sep	91.65	[illegible]	-	[illegible]	[illegible]	3733	30569
Dec	92.00	91.99	+0.02	92.02	91.97	752	22273
Mar	91.91	91.94	+0.04	91.95	91.91	447	8734

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	98.18	98.19	+0.02	98.21	98.15	3823	23123
Sep	[illegible]	98.16	+0.03	98.18	98.12	4399	17095
Dec	97.88	97.90	+0.03	97.91	97.87	951	11382
Mar	97.61	97.59	+0.03	97.61	97.57	101	[illegible]

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		99.17	-0.01			0	na
Sep	98.86	98.87	-0.04	98.86	[illegible]	18	na
Dec	98.55	98.57	-0.04	98.57	98.54	1344	na

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.80	[illegible]	+0.03	95.82	95.80	1239	8432
Sep	95.81	95.83	+0.03	95.83	[illegible]	818	4169
Dec	95.64	95.66	+0.04	[illegible]	95.64	439	[illegible]
Mar	95.37	95.40	+0.05	95.40	95.37	186	1936

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Apr 25		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.75	16.43	4.865	2.039	4966	[illegible]	20.80	497.7	403.4	21.61	3.938	2.104	4.341	3.180	338.8	2.586
Denmark	(DKr)	53.32	10	8.759	2.594	1.087	2648	2.904	11.14	265.4	215.1	11.52	2.097	1.122	2.315	1.695	180.7	1.379
France	(FFr)	60.88	11.42	10	2.962	1.241	3023	3.315	12.71	303.0	245.6	13.15	2.394	1.281	2.643	[illegible]	206.3	1.574
Germany	(DM)	20.55	[illegible]	3.376	1	0.419	1021	1.119	4.293	102.3	82.92	4.442	0.808	0.433	0.892	0.654	69.64	0.532
Ireland	(I£)	49.04	9.197	8.056	2.386	1	2436	2.671	10.24	244.1	197.8	10.60	1.929	1.032	2.129	1.559	166.2	1.268
Italy	(L)	2.014	0.378	0.331	0.098	0.041	100.	0.110	0.421	10.02	8.123	0.435	0.079	0.042	0.087	0.064	6.822	0.052
Netherlands	(Fl)	18.36	3.444	3.016	0.893	0.374	911.9	1	3.835	91.36	74.07	3.968	0.722	0.386	0.797	0.584	62.21	0.476
Norway	(NKr)	47.88	8.979	7.865	2.329	0.976	2378	2.608	10	238.3	193.1	10.35	1.883	1.008	2.079	1.522	162.2	1.238
Portugal	(Es)	20.09	3.768	3.301	0.978	0.410	997.9	1.094	4.197	100.	81.06	4.342	0.790	0.423	0.872	0.639	68.08	0.520
Spain	(Pta)	24.79	4.649	4.072	1.206	0.506	1231	1.350	5.177	123.4	100.	5.357	0.975	0.522	1.076	0.788	83.99	0.641
Sweden	(SKr)	46.27	8.678	7.601	2.251	0.944	2298	2.520	9.664	230.3	186.7	10	1.820	0.974	2.009	1.471	156.8	1.197
Switzerland	(SFr)	25.43	4.768	4.177	1.237	0.518	1263	1.385	5.310	126.5	102.6	5.495	1	0.535	1.104	0.808	86.14	0.658
UK	(£)	47.52	8.912	7.806	2.312	0.969	2360	2.588	9.925	236.5	191.7	10.27	1.869	1	2.063	1.511	161.0	1.229
Canada	(C$)	23.03	4.320	3.784	1.121	0.470	1144	1.254	4.811	114.6	92.92	4.978	0.906	0.485	1	0.732	78.04	0.596
US	($)	31.45	5.898	5.166	1.530	0.641	1562	1.713	6.568	156.5	126.8	6.797	1.237	0.662	1.365	1	106.5	0.813
Japan	(Y)	29.52	5.536	4.849	1.436	0.602	1466	1.607	6.165	146.9	119.1	6.379	1.161	0.621	1.281	0.939	100.	0.763
Ecu		38.67	7.251	6.352	1.881	0.788	1920	2.105	8.075	192.4	156.0	8.356	1.521	0.814	1.678	1.229	131.0	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6599	0.6562	-0.0037	0.6600	0.6559	10,582	61,372
Sep	0.6626	0.6600	-0.0038	0.6626	0.6600	80	3,350
Dec	-	0.6637	-0.0041	-	0.6637	15	399

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.9445	0.9441	-0.0010	0.9456	0.9396	9,918	42,958
Sep	0.9570	0.9551	-0.0012	0.9570	0.9535	204	1,558
Dec	-	0.9675	-	-	-	62	[illegible]

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.8171	0.8127	-0.0039	0.8171	0.8121	9,992	42,958
Sep	[illegible]	0.8206	-0.0038	0.8206	0.8205	88	1,558
Dec	-	0.8268	-0.0026	-	0.8268	20	[illegible]

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.5122	1.5112	-0.0036	1.5128	1.5090	9,395	54,407
Sep	-	1.5100	-0.0032	-	1.5080	3	145
Dec	-	1.5060	-0.0058	-	1.5060	8	34

UK INTEREST RATES

LONDON MONEY RATES

Apr 25	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	-	-	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills	-	-	[illegible]	[illegible]	-	-
Bank Bills	-	-	[illegible]	[illegible]	[illegible]	-
Local authority deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Market deps	6 - 5	[illegible]	-	-	-	-

UK clearing bank base lending rate 6 per cent from March 8, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4½

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. Ave. tender rate of discount on Apr 19, [illegible]. ECGD fixed rate Stg. Export Finance. Make up day Mar 29, 1996. Agreed rate for period Apr 26, 1996 to May 25, 1996, Schemes II & III 7.38pc. Reference rate for period Mar 1, 1996 to Mar 29, 1996, Schemes IV & V 6.133pc. Finance House Base Rate 6.5pc from April 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.96	93.99	+0.03	94.00	93.95	14859	78652
Sep	93.82	93.88	+0.06	93.89	93.79	22456	58849
Dec	93.44	93.58	+0.13	93.59	93.42	48667	68165
Mar	93.01	93.15	+0.13	93.17	92.99	[illegible]	44553
Jun	92.66	92.79	+0.13	92.80	92.64	5800	36293

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
9375	0.26	0.26	0.24	0.02	0.13	0.41
9400	0.08	0.12	0.14	0.09	0.24	0.56
9425	0.01	0.05	0.08	0.27	0.42	0.75

Est. vol. total, Calls 4527 Puts 5135. Previous day's open int., Calls 131896 Puts 120284

EMS EUROPEAN CURRENCY UNIT RATES

Apr 25	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	159.488	-0.215	[illegible]	3.75	17
Netherlands	2.15214	2.13868	+0.00120	-0.63	1.63	5
Belgium	39.3960	39.2655	+0.0289	-0.33	1.53	2
Austria	[illegible]	13.4437	+0.0103	0.04	1.15	-0
Portugal	195.792	195.383	-0.025	-0.21	1.41	1
Germany	1.91007	1.91081	+0.00126	0.04	1.15	-0
France	6.40608	6.45170	+0.00166	0.71	0.48	-6
Denmark	7.28580	7.36595	+0.00176	1.10	0.09	-8
Ireland	0.792214	0.801674	-0.001905	1.19	0.00	-8
NON ERM MEMBERS						
Greece	292.867	304.106	+0.315	3.84	-2.56	-
Italy	2106.15	1951.89	-2.03	-7.32	9.19	-
UK	0.786652	0.827506	-0.00194	5.19	-3.80	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	Calls Apr	Calls May	Calls Jul	Puts Apr	Puts May	Puts Jul
1.490	2.51	2.79	3.15	0.09	0.40	0.82
1.500	1.83	2.12	2.51	0.21	0.69	1.16
1.510	0.90	1.51	1.97	0.39	1.16	1.57
1.520	0.40	1.02	1.49	0.89	1.58	2.09
1.530	0.12	0.65	1.09	1.61	2.21	2.64

Previous day's vol., Calls 6,267 Puts 6,992 . Prev. day's open int., Calls 186,210 Puts 165,595

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.53	94.54	-	94.54	94.52	24,729	379,728
Sep	94.34	94.34	-0.01	94.35	94.31	43,053	354,564
Dec	94.10	94.08	-0.02	94.10	94.05	66,789	351,467

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.99	94.99	-0.01	95.00	94.99	294	9,788
Sep	94.79	94.80	-0.01	94.80	94.79	153	5,173
Dec	-	94.60	-0.01	-	94.60	52	845

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	Calls May	Calls Jun	Calls Jul	Calls Sep	Puts May	Puts Jun	Puts Jul	Puts Sep
9675	0.10	0.12	0.17	0.20	0.01	0.03	0.08	0.11
9700	0.01	0.02	0.05	0.07	0.17	0.18	0.21	0.23
9725	0	0	0.01	0.02	0.41	0.41	0.42	0.43

Est. vol. total, Calls 4584 Puts 7861. Previous day's open int., Calls 345244 Puts 347438

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
9825	0.06	0.12	0.11	0.12	0.21	0.48
9850	0.02	0.05	0.05	0.33	0.39	0.65

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 5245 Puts 3071

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	Calls Jun	Calls Sep	Calls Dec	Puts Jun	Puts Sep	Puts Dec
9125	0.24	0.78	1.00	0.22	0.19	0.26
9150	0.14	0.61	0.82	0.37	0.27	[illegible]
9175	0.07	0.44	0.66	0.55	0.35	0.42

Est. vol. total, Calls 3 Puts 0. Previous day's open int., Calls 33039 Puts 17253

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Duncan Lawrie	6.00	Royal Bk of Scotland	6.00
Allied Trust Bank	6.00	Exeter Bank Limited	7.00	●Singer & Friedlander	6.00
AIB Bank	6.00	Financial & Gen Bank	7.00	●Smith & Williman Secs	6.00
●Henry Ansbacher	6.00	●Robert Fleming & Co	6.00	TSB	6.00
Bank of Baroda	6.00	Girobank	6.00	United Bank of Kuwait	6.00
Banco Bilbao Vizcaya	6.00	●Guinness Mahon	6.00	Unity Trust Bank Plc	6.00
Bank of Cyprus	6.00	Habib Bank AG Zurich	6.00	Western Trust	6.00
Bank of Ireland	6.00	●Hambros Bank	6.00	Whiteaway Laidlaw	6.00
Bank of India	6.00	Heritable & Gen Inv Bk	6.00	Yorkshire Bank	6.00
Bank of Scotland	6.00	●Hill Samuel	6.00		
Barclays Bank	6.00	C. Hoare & Co	6.00		
Brit Bk of Mid East	6.00	Hongkong & Shanghai	6.00		
●Brown Shipley & Co Ltd	6.00	Julian Hodge Bank	6.00		
Citibank NA	6.00	●Leopold Joseph & Sons	6.00		
Clydesdale Bank	6.00	Lloyds Bank	6.00		
The Co-operative Bank	6.00	Meghraj Bank Ltd	6.00		
Coutts & Co	6.00	Midland Bank	6.00		
Credit Lyonnais	6.00	* Mount Credit Corp	6.25		
Cyprus Popular Bank	6.00	NatWestminster	6.00		
		●Rea Brothers	6.00		

● Members of London Investment Banking Association
* In administration

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, MERCHANT

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

LEISURE & HOTELS - Cont.

OTHER FINANCIAL - Cont.

PROPERTY - Cont.

SUPPORT SERVICES - Cont.

AIM - Cont.

PAPER, PACKAGING & PRINTING

TELECOMMUNICATIONS

AMERICANS

LIFE ASSURANCE

RETAILERS, FOOD

TEXTILES & APPAREL

MEDIA

RETAILERS, GENERAL

PHARMACEUTICALS

CANADIANS

TOBACCO

SOUTH AFRICANS

TRANSPORT

OTHER INVESTMENT TRUSTS

PHARMACEUTICALS - Cont.

RETAILERS, GENERAL - Cont.

OIL, EXPLORATION & PRODUCTION

PROPERTY

WATER

INVESTMENT COMPANIES

SUPPORT SERVICES

AIM

OIL, INTEGRATED

OTHER FINANCIAL

LEISURE & HOTELS

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- • Highs and lows marked thus have been adjusted to allow for capital changes.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) Irish incorporated non-listed companies.
- Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v P/e ratios are calculated under new ACT guidelines.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1996-97
G Assumed yield after pending scrip and-or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xi ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

LGT Asset Management Ltd

IRELAND (REGULATED)(**)

Dragon Korea Fund Plc

Dynamic Pacific Portfolio Fund Plc

Egerton Capital European Fund Plc

Emerging Dynamic Fund Plc

Emerging Market Growth Fund Plc

F.I.T. Investment Trust Ltd (x)

Falcon Market Fund Plc

Framlington Investment Mgmt (Ireland) Ltd

Frank Russell Investments (Ireland) Ltd (x)

ISLE OF MAN (SIB RECOGNISED)

Quilter Intl Mngt (IoM) Ltd

Sun Life Management (IoM) Ltd

Ulster Bank Global Funds Plc

Unibank Scandinavian Fund Ltd

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Lloyds Private Banking (CI) Ltd

Lombard Odier (Jersey) Ltd

LUXEMBOURG (SIB RECOGNISED)

Fidelity Funds - Contd.

Fleming Group (x)

S-E-Banken Luxembourg SA - Contd.

Schroder International Selection Fd (x)

LUXEMBOURG (REGULATED)(**)

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OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

The Vietnam Fund Limited

Wells Fargo U.S. IT Fund

Worldwide Limited

Xiphias International Investment Fd Ltd

Zanett Lombardier Ltd

Zulauf Investment Management AG

Zweig–DiMenna International Limited

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales.
(**) Funds not SIB recognised. The regulatory authorities for these funds are:
Bermuda - Bermuda Monetary Authority
Guernsey - Financial Services Commission
Ireland - Central Bank of Ireland
Isle of Man - Financial Supervision Commission
Jersey - Financial Services Department
Luxembourg - Institut Monétaire Luxembourgeois.
Initial charge - Charge made on sale of units.
Selling price - Bid or redemption price.
Buying price - Offer or issue price.
Time - The time shown alongside the fund manager's name is the time of the fund's valuation point unless indicated by one of the following symbols:
(☆) - 0001 to 1100 hours
(♦) - 1101 to 1400 hours
(▲) - 1401 to 1700 hours
(#) - 1701 to midnight
E - Exit charge on sale of units.
C - Manager's periodic charge deducted from capital.
H - Historic pricing F - Forward pricing.
x - Distribution free of UK taxes.
p - Periodic premium insurance plans.
s - Single premium insurance.
o - Designated as a UCITS (Undertakings for Collective Investment in Transferable Securities).
k - Offered price includes all expenses except agent's commission.
z - Previous day's price.
% - Guernsey gross.
◆ - Yield before Jersey tax.
† - Ex-subdivision. xd - Ex-dividend.
‡ - Only available to charitable bodies.
♦ - Yield column shows annualised rates of NAV increase.

The fund prices on these pages are also available on the Internet at www.FT.com

LONDON STOCK EXCHANGE

MARKET REPORT

Bid talk returns and triggers uptick in equities

By Steve Thompson,
UK Stock Market Editor

Disappointing economic news plus a series of profits warnings and the aftermath of the government's veto on generator bids for the recs continued to cast a shadow over the London stock market.

A poor start by Wall Street, which opened under renewed downside pressure, after having retreated 35 points overnight, was another factor unsettling UK stocks.

But the potential for more takeover bids in the marketplace once again proved a potent lure for the big institutions and speculators. And market sentiment was given a fillip by the sparkling market debut of Millenium and Copthorne, the hotels group, whose shares ended their first day at a near 20 per cent premium to the placing price.

By the end of the trading session the FT-SE 100 had recouped all and more of its earlier loss and posted a 1.7 gain at 3,819.3, ending three consecutive sessions of losses.

The FT-SE Mid 250 index, meanwhile, was always outpacing the FT-SE 100 index, and eventually settled at a record closing high of 4,553.3, stimulated by keen takeover speculation in the fund management sector, and especially in Perpetual, whose shares shot forward almost 6 per cent amid strong rumours that a bid was imminent.

It was the utilities sector that continued to capture the market's attention as reports that the government would use its golden share to prevent any takeovers in the generators triggered another big sell-off in National Power and PowerGen. Both stocks were badly hit at the outset, slipping around 3.5 per cent apiece, before stabilising and finishing the session well above the day's lows.

The electricity distribution stocks, mauled on Wednesday as the bids for Midlands and Southern Electric were ruled offside by Ian Lang, the trade secretary, spearheaded a big rally in the recs as the market began to take on board the idea that the DTI block on the generators would not prevent wholesale foreign takeovers of the recs.

There was no shortage of activity in the market, where turnover at the 6pm calculation reached 870.9m shares, although well over 65 per cent of this figure was in non-FT-SE 100 stocks. Customer business on Wednesday came out at a healthy £2.17bn.

A hangover prompted by the heavy sell-off in the generators and recs on the previous day saw the Footsie off to a poor start and down some 13 points at the opening.

News of a disappointing 0.2 per cent increase in UK retail sales in March, against expectations of a 0.5 to 0.6 per cent rise, was initially seen as bearish, but quickly gave rise to the view that evidence of a slowdown in the economy could provide the chancellor of the exchequer with more ammunition to reduce domestic interest rates.

After briefly moving into positive ground in mid-morning, the Footsie drifted off again before rallying towards the close of trading.

ICI was the Footsie's poorest performer after warning of lower second-quarter profits. Of the upside performers, Credit Lyonnais Laing was behind a strong showing by some of the conglomerates, especially Tomkins.

Analysts were at a loss to explain the reaction. "The group said nothing that the City had not pencilled in months ago," commented one sector watcher. BAT produces first-quarter results next Wednesday.

Ibstock shot forward in its heaviest volume of the year following news of the bricks deal with Redland.

The deal promotes Ibstock to number one in the UK brick making league with a one-third share of the market. The shares jumped 11 to a new high of 85½p in 12m traded. Redland, a strong market lately, eased back 4 to 430p.

In the retail sector, Wickes, the specialist DIY group, fell 9 to 130p after a profits warning following poor January to March trading. Several analysts downgraded their forecasts, although some said there was a positive story emerging this spring for the company and the stock could recover later in the year. Etam, the fashion retailer, also issued a profits warning and was down a penny to 164p.

Kingfisher, which owns B&Q, firmed a penny to 596p. Analysts said Kingfisher was opening a B&Q near a Wickes store and it might be taking market share from its rival.

MFI, the furniture and DIY group, also fell 5 to 179p on the back of the Wickes statement, a movement analysts said was unjustified and was simply "knee jerk".

Among hotels, Millenium & Copthorne, a new issue, was placed at 278p and closed at 332p. Analysts said it had got off to a flying start, buoyed by the hotel market.

In the drinks sector, Allied Domecq jumped 8 to 518p after Kleinwort Benson moved from sell to hold on the stock. Analysts said that Allied was likely to be at the centre of any sector restructuring and that the decline in the spirits industry was bottoming out.

Greenalls group leapt 13½ to 629½p after its chairman gave an interview in which he said sales were in line with analysts' forecasts and that trading was robust. The company's results are due in May.

Shell gave up an early gain in spite of a positive note from NatWest Securities.

Taking a bullish line on the US results season, the broker has upgraded its first-quarter profits estimate for Shell by £45m to £1.22bn.

Up 3 at one stage, Shell closed all-square at 864p. British Petroleum put on 5½ at 591½p and Burmah Castrol ended 11 better at 1048p.

MARKET REPORTERS:
Jeffrey Brown, Lisa Wood,
Joel Kibazo.

Power bid talk returns

Regional electricity stocks shook off Wednesday's gloom as bid speculation once again returned to the sector, sending the shares sharply forward.

Both Midlands Electricity and Southern Electric, whose predators PowerGen and National Power were this week prevented from acquiring them, were once again being tipped as likely candidates for a takeover, though this time from the US.

Shares in Midlands jumped 17 to 388p during trade of 4.9m, while those in Southern Electric put on 11 at 835p on turnover of 3.3m.

Among the generators, National Power was a late afternoon talking point on speculation that Southern Co, the US utility that has already declared its interest in the UK group, was about to launch a bid. This helped the group's shares claw back part of an earlier loss to end 8 down at 556p after trade of 12m.

PowerGen also regained some momentum and the shares finished 15 lower at 555p. Volume was 3.7m.

BA tumbles

Concern that the top of the airline cycle may be fast approaching severely dented British Airways, which tumbled steeply in above average volume.

The shares have had a strong run lately, moving up from 500p since the end of March, so the profit-takers had plenty to chew on. But there was talk yesterday that the fundamental trading outlook might be about to turn negative.

The recent news flow has been distinctly downbeat. IATA warned this week that airline fleet building was beginning to outstrip demand; the KLM share price has been visibly weak on charter worries; and finally, comments in Australia by BA top management were being given a bearish interpretation by City transport teams.

The stock closed 11 off at 540p in 4.1m traded to return the day's third worst Footsie performance.

ICI warning

Lower than expected first-quarter profits from chemicals leader ICI, together with a warning on second-quarter profits, saw the group's shares relinquish most of Wednesday's strong gain.

The stock had moved sharply ahead in the previous session on hopes that the company would not only post a strong set of figures but would also outline plans to enhance shareholder value.

With no news on a share buyback and figures below most analysts' forecasts, the shares slid 28 to 926p, the day's worst performer in the Footsie, in trade of 3.9m.

Several brokers moved to downgrade full-year profits expectations, including James Capel which cut its figure by £50m to £900m. Kleinwort Benson weighed in with a more severe downgrade, reducing by £100m to £950m, although analysts at the broker said they remained "long term positive" on the stock.

Shares in fund management group Perpetual topped the list of the day's best performers in the FT-SE Mid-250 index after the stock gained nearly 6 per cent on bid speculation.

The shares rose 132 to 2345p, with Germany's Bankgesellschaft, which is said to be interested in acquiring a UK fund manager, mentioned as a possible suitor. The UK's National Westminster Bank was also being talked about as a likely predator.

However, Perpetual said yesterday: "There is no for sale sign outside our window, and we have not been talking to any group."

Some dealers attributed yesterday's advance to a recent note from Goldman Sachs which is said to have highlighted Perpetual among a list of undervalued stocks. NatWest finished 5 lighter at 619p.

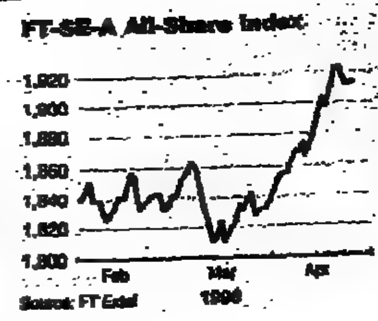
Conglomerate Tomkins surged to second place in the Footsie performance charts following a buy note from Credit Lyonnais Laing and speculation that there could soon be good news on Gates Rubber.

Gates, acquired for $1.4bn earlier this year, was a privately owned US company and much of its financial background remains under wraps. But this could soon change. Analysts expect a Superclass 1 document to be made available early next month.

The stock, which has lagged behind the market by nearly 8 per cent over the past three months, advanced 8 to 270p.

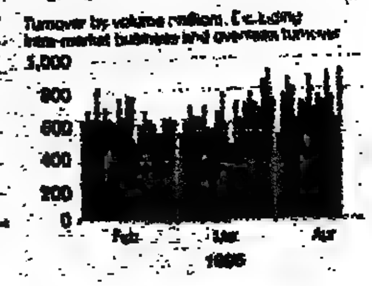
Tobacco and financial services giant BAT Industries fell back after a cautious annual meeting statement. The stock was trailing by 16 at one stage but closed 10 off at 500p.

FT-SE-A All-Share index



Equity shares traded

Turnover by volume (million). Excluding intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3819.3	+1.7
FT-SE Mid 250	4553.3	+8.6
FT-SE-A 350	1932.4	+1.5
FT-SE-A All-Share	1914.27	+2.02
FT-SE-A All-Share yield	3.69	3.69
FT Ordinary index	2854.4	+2.5
FT-SE-A Non Fins p/e	17.54	17.53
FT-SE 100 Fut Jun	3835.00	+3.00
10 yr Gilt yield	7.98	8.00
Long gilt/equity yld ratio	2.25	2.25

Best performing sectors

1 Building Mats & Merchs +1.6
2 Diversified Industrials +1.0
3 Life Assurances +0.6
4 Oil: Integrated +0.5
5 Breweries: Pubs & Rest +0.5

Worst performing sectors

1 Tobacco -2.1
2 Water [illegible]
3 Electricity -0.6
4 Pharmaceuticals -0.5
5 Consumer Goods -0.4

FINANCIAL TIMES EQUITY INDICES

	Apr 25	Apr 24	Apr 23	Apr 22	Apr 19	Yr ago	*High	*Low
Ordinary Share	2854.4	2851.9	2856.8	2880.1	2885.2	2442	2885.2	2696.7
Ord. div. yield	3.88	3.88	3.88	3.86	3.93	4.33	4.06	3.75
P/E ratio net	16.76	16.76	16.77	16.86	16.53	16.75	17.25	15.95
P/E ratio nil	16.54	16.52	16.53	16.62	16.29	16.55	17.03	15.76

Ordinary Share index since compilation: high 2885.2 19/04/96, low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2851.1	2848.0	2853.3	2850.5	2847.3	2849.1	2851.1	2852.9	2854.2	2855.1	2839.8

	Apr 25	Apr 24	Apr 23	Apr 22	Apr 19	Yr ago
SEAQ bargains	34,028	36,236	37,550	42,481	42,343	22,863
Equity turnover (£m)†	-	2174.9	2067.5	1629.6	2072.8	1558.1
Equity bargains†	-	42,810	46,664	49,776	48,958	33,906
Shares traded (mil)†	-	886.3	968.6	622.4	799.3	669.5

†Excluding intra-market business and overseas turnover

	Apr 25	Apr 24	Apr 23	Apr 22	Apr 19	Yr ago	*High	*Low
FT-SE AIM	1045.20	1040.30	1039.50	1036.40	1026.10	-	1054.82	985.68

*For 1996.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	753	Total Highs	249	Total contracts	48,347
Total Falls	480	Total Lows	13	Calls	13,640
Same	1,543			Puts	34,707

Apr. 25 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	3821.0	3835.0	+3.0	3839.0	3818.0	10480	[illegible]
Sep		3851.0	+5.0			0	[illegible]
Dec	3879.0	3879.0	+2.5	3879.0	3879.0	5	41

FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		4590.0	+10.0			0	[illegible]

FT-SE 100 INDEX OPTION (LIFFE) (*3819) £10 per full index point

[illegible]

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock
-	F.P.	24.0	128	128	†Acme Imaging
-	F.P.	28.5	98	95	Advent VCT
-	F.P.	14.3	95	95	British Smr Cos
-	F.P.	26.1	318	230	Cambridge Wtr NV
100	F.P.	8.90	95	95	Capital Co's VCT
95	F.P.	12.4	98	[illegible]	[illegible]
73	F.P.	28.1	96	58	[illegible]
270	F.P.	32.9	330	285	†Dicom
100	F.P.	14.4	127	95	†Easynet
235	F.P.	98.2	308	245	FI Group
-	F.P.	20.2	96	[illegible]	Gartmore VCT
-	F.P.	8.66	95	95	Guinness FI VCT
100	F.P.	27.4	97½	96	Hill Smll UK Eng Co
-	F.P.	0.60	80	70	†Hurlingham Props
75	F.P.	20.9	108	75½	ILP Group
-	F.P.	4802	[illegible]	278	Mill & Copthorne
305	F.P.	2186	244	220	Orange
-	F.P.	1.38	20	17	Pacific Horn Wt
-	F.P.	4.38	95	95	Panama NM VCT
-	F.P.	56.0	184	173	Phytopharm
-	F.P.	70.2	109	88	[illegible]
-	F.P.	3.93	76	63	[illegible]
-	F.P.	17.1	85	80	Quester VCT
32	F.P.	3.15	35	32	†Raphael Zorn
3	F.P.	4.96	4	3½	Silver Shield
-	F.P.	16.4	518	500	[illegible] Tst Ut
-	F.P.	1.62	28	10¼	Templeton CAF

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Apr 24	% chg on day	Apr 23	Year ago
Gold Mines Index (36)	2269.18	-0.6	2279.74	1982.72
Regional Indices				
Africa (17)	3015.24	-1.4	3059.20	2747.33
Australasia (3)	2724.59	+2.1	2669.18	2423.10
North America (12)	1994.01	-0.4	2002.77	1700.13

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FT - SE Actuaries Share Indices — The UK Series

	Apr 25	Day's chge%	Apr 24	Apr 23	Apr 22	Year ago
FT-SE 100	3819.3	....	3817.6	3833.0	3852.7	3217.8
FT-SE Mid 250	4553.3	+0.2	4544.7	4540.1	4544.1	3526.2
FT-SE Mid 250 ex Inv Trusts	4592.3	+0.2	4582.6	4577.2	4582.5	3535.3
FT-SE-A 350	1932.4	+0.1	1930.9	1936.5	1944.6	1598.4
FT-SE-A 350 Higher Yield	1857.1	-0.1	1859.5	1869.7	1879.0	1512.2
FT-SE-A 350 Lower Yield	2015.2	+0.3	2009.6	2010.8	2017.8	1684.3

[illegible]

FT-SE Actuaries All-Share

[illegible]

TRADING VOLUME

Major Stocks Yesterday

[illegible]

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Apr 25 / Sch)

BELGIUM/LUXEMBOURG (Apr 25 / Frs.)

CZECH REP (Apr 25 / Koruna)

DENMARK (Apr 25 / Kr)

FINLAND (Apr 25 / Mkk)

FRANCE (Apr 25 / Frs.)

GERMANY (Apr 25 / Dm.)

GREECE (Apr 25 / Drachma)

ITALY (Apr 24 / Lira)

NETHERLANDS (Apr 25 / Fls.)

NORWAY (Apr 25 / Kroner)

POLAND (Apr 25 / Zloty)

PORTUGAL (Apr 24 / Escudo)

SPAIN (Apr 25 / Pta.)

SWEDEN (Apr 25 / Kronor)

SWITZERLAND (Apr 25 / Frs.)

TURKEY (Apr 25 / Tk Lira)

PACIFIC

JAPAN (Apr 25 / Yen)

AUSTRALIA (Apr 24 / Aust$)

HONG KONG (Apr 25 / H.K.$)

INDONESIA (Apr 25 / Rupiah)

MALAYSIA (Apr 25 / MYR)

NEW ZEALAND (Apr 24 / NZ $)

SINGAPORE (Apr 25 / S$)

SOUTH KOREA (Apr 25 / Won)

TAIWAN (Apr 25 / TW $)

THAILAND (Apr 25 / Baht)

AFRICA

SOUTH AFRICA (Apr 25 / Rand)

NORTH AMERICA

CANADA

TORONTO (Apr 25 / Can $)
4 pm close

MONTREAL (Apr 25 / Can $)
4 pm close

INDICES

	Apr 25	Apr 24	Apr 23	1996 High		1996 Low	
Argentina							
General(29/12/77)		(u) 17501.91	17677.5	[illegible]	31/1	[illegible]	18/3
Australia							
All Ordinaries(1/1/80)	(c)	2316.3	2300.0	2323.40	4/3	2187.40	11/3
All Mining(1/1/80)	(c)	1099.0	1094.8	1099.80	24/4	1004.70	18/1
Austria							
Credit Aktien(30/12/84)	387.24	385.04	382.63	387.24	25/4	352.78	2/1
Traded Index(2/1/91)	1130.19	1129.87	1117.85	1130.19	25/4	975.27	2/1
Belgium							
BEL20(1/1/91)	1717.74	1720.88	1719.49	1766.71	7/3	1574.89	2/1
Brazil							
Bovespa(29/12/83)		(u) 50470.0	50613.8	54100.00	2/2	[illegible]	2/1
Canada							
Metals Minls(1975)		(u) 5461.30	5508.13	5548.64	16/4	4687.47	18/1
Composite(1975)		(u) 5116.30	5116.90	5116.90	23/4	4738.70	15/1
Portfolio(4/1/83)		(u) 2472.35	2472.50	2486.57	8/2	2287.38	12/1
Chile							
IGPA Gen(31/12/80)		(u) 5480.29	5510.77	[illegible]	8/1	[illegible]	3/4
Denmark							
CopenhagenSE(3/1/83)	397.77	398.12	398.76	399.32	24/4	[illegible]	2/1
Finland							
HEX General(28/12/90)	1913.64	1922.45	1914.73	1922.45	24/4	[illegible]	10/1
France							
SBF 250(31/12/90)	1438.97	1440.79	1434.07	1440.79	24/4	1250.16	2/1
CAC 40(31/12/87)	2116.35	2122.10	2111.98	2122.10	24/4	1887.85	11/1
Germany							
FAZ Aktien(31/12/58)	895.80	898.35	902.33	902.33	23/4	[illegible]	2/1
Commerzbank(1/12/53)	2579.3	2588.0	2601.9	2601.90	23/4	2370.28	2/1
DAX(30/12/87)	2532.41	2538.26	2550.18	2550.18	23/4	2284.88	2/1
Greece							
Athens SE(31/12/80)	913.76	930.71	932.72	1087.50	4/3	881.34	3/1
Hong Kong							
Hang Seng(31/7/64)	10753.38	10836.69	10899.05	11594.99	19/2	[illegible]	2/1
India							
BSE Sens.(1979)	3836.91	3869.07	3728.76	[illegible]	24/4	[illegible]	25/1
Indonesia							
Jakarta Comp.(10/8/82)	625.36	630.21	627.82	630.21	24/4	552.48	2/1
Ireland							
ISEQ Overall(4/1/88)	2514.30	2508.35	2500.19	2514.30	25/4	2204.81	2/1
Italy							
Banca Comm. Ital.(1972)	(c)	653.41	658.89	665.85	23/4	572.21	23/3
MIB General(2/1/95)	(c)	1108.0	1114.0	1114.00	23/4	970.00	22/3
Japan							
Nikkei 225(16/5/49)	22230.10	22282.05	22119.88	22282.05	24/4	19734.70	13/3
Nikkei 300(1/10/82)	317.58	317.44	315.46	317.58	25/4	284.45	11/3
Topix(4/1/68)	1714.05	1711.8	1702.81	1714.05	25/4	1584.12	13/3
2nd Section(4/1/68)	2228.97	2215.74	2205.41	2228.97	25/4	[illegible]	14/3
Malaysia							
KLSE Comp.(4/4/86)	1162.14	1169.44	1173.89	1174.23	23/4	[illegible]	2/1
Mexico							
IPC(Nov 1978)		(u) [illegible]	[illegible]	[illegible]	19/4	[illegible]	8/3
Netherland							
CBS TRetGen(End 83)	609.5	611.8	609.0	611.80	24/4	[illegible]	2/1
CBS All Shr(End 83)	387.8	389.0	386.1	[illegible]	24/4	[illegible]	2/1
New Zealand							
Cap. 40(1/7/86)		(c) 2141.86	2135.06	[illegible]	4/1	[illegible]	24/1
Norway							
Oslo SE(Ind)(2/1/83)	1427.82	1424.71	1418.74	1432.82	25/4	[illegible]	30/1
Philippines							
Manila Comp(2/1/85)	2973.31	[illegible]	[illegible]	[illegible]	16/4	[illegible]	2/1
Portugal							
BVL 30(4/1/93)		(c) 1801.48	1795.57	1805.33	18/4	1602.81	2/1
Singapore							
SES All-S'pore(2/4/75)	580.38	582.55	583.33	[illegible]	5/2	[illegible]	2/1
South Africa							
JSE Gold(28/9/78)	1811.1	1839.0	1857.6	1947.50	2/2	1346.40	2/1
JSE Ind.(28/9/78)	8593.1	8458.9	8516.6	[illegible]	25/1	[illegible]	2/1
South Korea							
KoreaCompEx(4/1/80)	964.69	958.01	940.55	964.69	25/4	[illegible]	13/3
Spain							
Madrid SE(30/12/85)	359.95	358.13	357.07	[illegible]	25/4	323.76	11/1
Sweden							
AffarsvaldnGen(1/2/37)	1925.9	1939.6	1942.6	[illegible]	23/4	1766.00	22/1
Switzerland							
Swiss Bk Ind(31/12/58)	1770.70	1771.24	1761.54	1771.24	24/4	1585.30	17/1
SBC General(1/4/87)	1252.47	1252.59	1246.42	1252.59	24/4	1114.47	26/1
Taiwan							
Weighted Pr.(30/6/66)	5910.15	[illegible]	5887.01	6122.48	15/4	[illegible]	6/2
Thailand							
Bangkok SET(30/4/75)	1320.70	1305.88	1296.44	1415.94	5/2	1287.28	13/3
Turkey							
Istanbul Comp.(Jan 1986)	64631.2	65813.2		(c) [illegible]	8/4	39778.30	2/1
WORLD							
MS Capital Intl(1/1/70)	773.2*	773.7	774.5	774.50	23/4	725.60	15/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1684.54	1688.71	1682.48	[illegible]	25/4	1584.40	11/1
Euro Top-100(26/6/90)	1454.51	1457.70	1451.82	1458.86	22/4	1333.01	11/1
HSBC JC Dragon(31/12/88)	(u)	379.36	379.48	393.16	18/4	344.13	2/1
MS Emg Mkts(7/1/93)	161.92	162.84	162.61	163.85	22/4	147.35	2/1

US INDICES

Dow Jones	Apr 24	Apr 23	Apr 22	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	5553.90	5588.59	5584.74	5689.74 (3/4)	5032.94 (10/1)	5689.74 (3/4/96)	41.22 (2/7/32)
Home Bonds	102.31	102.28	102.29	105.69 (14/2)	101.98 (11/4)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	2195.72	2194.81	2213.75	2221.08 (18/4)	1862.71 (18/1)	2221.08 (18/4/96)	12.32 (8/7/32)
Utilities	209.12	208.95	207.87	234.09 (13/2)	205.48 (11/4)	256.40 (21/6/93)	10.50 (8/4/32)

DJ Ind. Day's High 5610.29 (5621.82) Low 5512.36 (5534.76) (Theoretical)
Day's High 5590.05 (5599.34) Low 5539.78 (5562.57) (Actual)

Standard and Poors	Apr 24	Apr 23	Apr 22	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite	650.17	651.58	647.89	661.45 (12/2)	598.48 (10/1)	661.45 (12/2/96)	4.40 (1/6/32)
Industrials	771.70	773.89	767.54	778.23 (22/2)	702.07 (15/1)	778.23 (22/2/96)	3.62 (21/6/32)
Financial	65.13	65.44	65.34	68.56 (5/3)	58.57 (10/1)	68.56 (5/3/96)	8.64 (1/10/74)
NYSE Comp.	348.88	349.80	347.82	351.92 (4/4)	321.41 (10/1)	351.92 (4/4/96)	4.46 (28/4/42)
Amex Mkt Val	588.65	588.73	587.37	588.73 (23/4)	528.05 (18/1)	588.73 (23/4/96)	29.31 (9/12/72)
NASDAQ Comp	1170.83	1169.76	1153.59	1170.83 (24/4)	988.57 (15/1)	1170.83 (24/4/96)	54.87 (31/10/72)

■ RATIOS

	Apr 19	Apr 12	Apr 5	Year ago
Dow Jones Ind. Div. Yield	2.17	2.17	2.11	2.57
	Apr 25	Apr 17	Apr 10	Year ago
S & P Ind. Div. yield	1.87	1.90	1.92	2.24
S & P Ind. P/E ratio	21.43	21.13	20.83	18.39

■ NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
Nippon Tech	11,118,800	36⅝	+3
Compaq Cmp	10,731,500	47	+2⅝
Seagate Tech	8,828,600	54⅜	-1⅞
K-Mart Corp	7,327,000	10⅞	+⅜
Walt Disney	5,474,400	60⅝	-1
Motorola	5,228,000	63⅝	+1½
Telefonos	4,945,000	36⅝	+⅝
Eli Lilly	4,898,000	55⅝	-2
Loral Space	4,791,900	14⅝	+⅝
AT & T	4,657,100	60⅝	-⅜

■ TRADING ACTIVITY

● Volume (million)

	Apr 24	Apr 23	Apr 22
New York SE	493.365	454.785	396.120
Amex	26.452	35.759	22.694
NASDAQ	748.157	877.233	690.245
NYSE			
Issues Traded	3,131	3,111	3,135
Rises	1,147	1,351	1,461
Falls	1,213	1,014	917
Unchanged	771	746	757
New Highs	183	161	148
New Lows	10	7	4

	Open	Latest	Change	High	Low	Est. vol.	Open int.
■ S&P 500							
Jun	651.70	652.50	+0.80	652.80	650.85	62,341	179,459
Sep	657.80	658.20	+0.95	658.20	657.80	570	8,289

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
■ Nikkei 225							
Jun	22320.0	22250.0	-70.0	22400.0	22230.0	17,784	262,338
Sep	22400.0	22390.0	-10.0	22400.0	22380.0	2,001	13,012

Open interest figures for previous day.

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
■ CAC-40 (200 x Index)							
Apr	2121.0	2116.0	-4.5	2121.0	2107.0	17,651	24,708
May	2110.0	2106.0	-4.5	2110.0	2098.0	8,641	20,755
■ DAX							
Jun	2538.0	2530.5	+14.5	2542.5	2527.5	18,078	-
Sep	2557.0	2559.0	+16.0	2560.5	2548.0	30	-
■ OMX							
Apr	1508.00	1506.75	-2.25	1513.00	1497.00	8,855	9,385
May	1495.25	1497.00	-2.50	1500.75	1485.00	6,082	13,573
■ SOFFEX							
May	3650.0	3651.0	+7.0	3656.0	3643.0	3,165	19,048
Jul	-	3633.5	-	3630.0	3617.0	-	2,337

** Sat Apr 20 Taiwan Weighted Price 5977.53; Korea Comp Ex 941.89. Base values of all indices are 100 except Australia All Ordinary and Mining - 500, Austria Traded, BEL20, HEX Gen., MIB Gen., BVL 30, SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 25 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Apr 25 - 2538.65 +18.6%

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Thursday, April 25, 1996

	Stocks Traded	Closing Prices	Change on day
Nippon Stl Corp	18.3m	385	+4
NKK Corp	13.7m	334	+5
Sumitomo Mtl Ind	11.0m	344	+3
Mitsubishi Hvy	8.1m	949	+8
Hitachi	6.8m	1140	+10
Kawasaki Steel	6.0m	392	-3
Nakayama Stl Wks	5.8m	885	+1
Toshiba Corp	5.8m	823	-8
NEC Corp	5.6m	1340	+10
Mitsui E & S Bld	5.3m	345	+7

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are usually last traded prices. Highs/Lows are based on data from Jan 1 1996. ¶ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

4 pm close April 25

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1996 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chng. Prev. Close
22 1/8	19 1/8	AAR	0.48	2.4	21	325	19 7/8	19 1/2	19 7/8	
46	38 5/8	AMP	1.00	2.2	22	5510	46	44 5/8	45	+1 1/2
[illegible]	[illegible]	[illegible]			21	13134	88 1/4	86 1/4	87 7/8	+1 1/4
50 1/2	37 3/8	ASA	2.00	4.3	30	1462	46 1/4	45 1/2	46 1/4	+1 5/8
44 3/4	38 3/8	AbbtL	0.96	2.3	18	10616	41 3/8	40 1/2	41	+1/2
17 1/4	13 3/8	Abitibi Pr	0.40	2.7	7	1587	14 7/8	14 1/2	14 7/8	+3/8
35 1/8	27	ABM Ind x	0.70	2.1	17	8	33 5/8	33 3/8	33 3/8	-1/4
15 7/8	13 7/8	Acptocein			54	47	15 3/8	15 1/8	15 3/8	+1/8
50 3/8	37 3/4	ACE Ltd	0.56	1.3	10	1283	45 1/8	43 3/4	44 3/4	+5/8
9 7/8	9 1/8	ACM Gvt In	0.90	9.1	6	114	9 7/8	9 3/4	9 7/8	
7 7/8	6 3/4	ACM GvOpp	0.66	9.4		58	7 1/8	7	7	
7 1/4	6 1/2	ACM Gvt Sp	0.75	11.5		255	6 5/8	6 1/2	6 1/2	-1/8
9 1/8	8 1/4	ACM Gvt Sc	0.90	10.4		319	8 7/8	8 5/8	8 5/8	-1/8
9 1/2	8 7/8	ACM Man	0.90	9.7		156	9 1/4	9 1/8	9 1/4	+1/8
30 3/4	16 1/2	AcmeCv	0.52	1.7	7	83	30 5/8	30 1/2	30 1/2	-1/4
13 7/8	6 1/8	Acme Elect			71	2902	13 7/8	11 3/4	12 7/8	+1/2
31 3/4	27 3/4	Acordia	0.72	2.3	19	25	31 5/8	31 1/2	31 5/8	+1/8
17 1/8	12	Acuson			53	1268	17 1/8	16 3/4	17 1/8	+1/2
19 1/2	18 3/8	Adams Expr	1.68	8.8	9	160	18 7/8	18 3/4	18 7/8	+1/8
21 1/4	16 1/8	AdvMic			7	10676	19	18 1/4	18 3/4	+3/8
11 1/8	8 1/2	Advest Grp	0.16	1.5	7	109	10 3/8	10 1/4	10 3/8	
26 1/8	9 3/8	Advo Inc	0.10	1.0	10	1121	10	9 7/8	10	+1/8
48 1/2	41 1/8	Aegon	1.22	2.6	15	70	48 1/4	47 5/8	47 7/8	-1/4
5 1/8	3 1/2	Aerflx			9	225	4 7/8	4 3/4	4 7/8	+1/8
78 3/4	66 5/8	AetnaL x	2.76	3.9	34	11033	71 1/8	70 1/4	71 1/8	+1/2
33	28 3/4	Aflac	0.40	1.3	12	2640	30 1/4	29 7/8	30	-1/8
20 3/8	17 1/2	AGL Res	1.06	5.8	18	282	18 7/8	18 5/8	18 7/8	+1/4
26 3/4	21 1/4	Ahmanson	0.88	3.8	6	12936	23 5/8	23	23 1/4	-1/4
[illegible]										

1996 High	Low	Stock	Div	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Chng. Prev. Close
11 5/8	8 1/2	BattlMt	0.05	0.6	128	14975	9 1/8	8 7/8	9	+1/4
41 7/8	38 1/8	Bausch	1.04	2.6	43	2328	40 5/8	39 7/8	40 1/4	+3/8
47 1/2	39 3/4	Baxter	1.13	2.6	17	12479	43 7/8	42 1/2	43 3/4	+1/8
43 7/8	25	BayNetwks			29	27811	33 5/8	32	33	-1/2
29 7/8	26 1/2	Bay St Gas	1.80	6.6	13	35	27 5/8	27	27 1/4	-1/8
40 7/8	23 3/4	BBN			9	341	29 3/4	28 3/4	29	-1/4
22 3/4	20 1/4	Bd Tr 1998	1.56	7.6		13	20 3/4	20 5/8	20 5/8	-1/8
8 1/2	7 3/4	BEA IncFd	0.72	8.9		173	8 1/8	8	8 1/8	+1/8
9 3/8	8 1/2	Ben Strat	0.81	9.3		106	8 3/4	8 5/8	8 5/8	
25 5/8	19 1/8	Bear Stns	0.60	2.3	8	1835	25 5/8	24 5/8	25 5/8	+3/4
44 1/2	41	BearS PA	2.75	6.3		2	43 1/2	43 1/2	43 1/2	+1/4
33 3/4	24	Bearings	0.58	1.8	17	61	31 5/8	31 1/2	31 1/2	-1/8
41 1/8	33 1/2	Beckman In	0.52	1.4	20	436	38 7/8	38 1/4	38 1/2	

[illegible]

Continued on next page

NYSE COMPOSITE PRICES

4 pm close April 25

Continued from previous page

Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Price	Chng Prev. Close
[illegible]								

- V -

- W -

- X - Y - Z -

- T -

- U -

Price data supplied by Telekurs

FT Free Annual Reports Service

AMEX COMPOSITE PRICES

4 pm close April 25

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

4 pm close April 25

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S - - T - - U - - V - - W - - X - Y - Z -

AMERICA

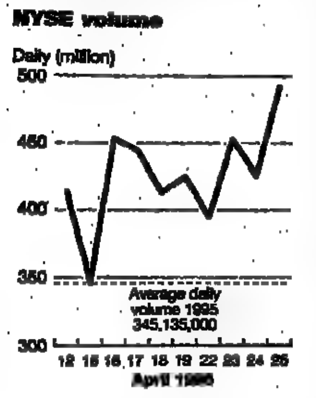
Pressure on oil pricing upsets Dow

Wall Street

Sinking oil prices pushed the Dow Jones Industrial Average sharply lower in early trading yesterday, while other indices were mostly flat as earnings reports came in near to Wall Street expectations, *writes Lisa Bransten in New York.*

At 1 pm the Dow Jones Industrial Average was off 44.44 at 5,509.46, the Standard & Poor's 500 fell 2.99 to 647.18 and the American Stock Exchange composite lost 0.03 at 589.08. Volume on the NYSE came to 358m shares.

NYSE volume



Technology shares were stable, with the Nasdaq composite off 1.35 at 1,175.48 and the *Pacific Stock Exchange* technology index 0.1 per cent lower.

In the past five sessions the Nasdaq had risen 5 per cent as a host of companies helped to restore optimism to the sector by posting stronger than expected quarterly earnings.

Oil issues, which have risen sharply over the past several sessions, slipped yesterday, pushing down the Dow, which counts three oil companies – Chevron, Exxon, and Texaco – among the 30 in the index. Chevron fell $1⅛ to $56⅝, Exxon lost $1 at $83¼ and Texaco was $⅝ lower at $84¼.

One factor contributing to the weakness in the oil sector was a press report suggesting that the Organisation of Petroleum Exporting Countries (Opec) was considering raising production ceilings.

Shares in Du Pont, also a component of the Dow, weakened $4¼ or 5 per cent to $79⅝ after Goldman Sachs, the US investment bank, lowered its rating on the chemicals company.

Procter & Gamble slipped $⅝ to $83¼ after reporting earnings of $1.07 per share, a cent ahead of analysts' expectations. In recent sessions P&G has been among the large multinationals that have suffered as investors worried about the effects of a rising dollar on export sales. In early trading yesterday the dollar continued to slip against the Japanese yen, *but rose against the* D-Mark.

Also weighing on the broader markets was continued weakness in the bond market, where investors were increasingly nervous about the rising commodity prices and data on unemployment and manufacturing activity due out next week.

Weakness in the bond market took a toll on American International Group even though the insurer reported first-quarter earnings that were modestly ahead of expectations. In early trading, AIG's shares were off $2¼ or 2 per cent at $90⅛.

Quaker Oats appreciated $1¼ or 4 per cent to $34¼ after the *food and drinks company* reported operating earnings of 22 cents a share, 4 cents ahead of analysts' estimates.

Canada

Toronto remained firm in mid-session trade, helped by strength in golds and good corporate results. The TSE 300 composite index was 9.29 higher by noon at 5,125.60 in volume of a busy 51.5m shares.

BCE jumped C$1.05 to C$53.10 as the telecommunications giant turned in strong quarterly earnings.

Gold shares were active, although Bre-X Minerals, with operations in Indonesia, fell 75 cents to C$185.75.

Delrina strengthened C$2.75 to C$22.50, while Mitel was 45 cents higher at C$9.75.

Brazil cabinet moves

SAO PAULO was slightly higher at midday as investors were encouraged by news that President Fernando Henrique Cardoso would reshuffle several cabinet ministers.

The Bovespa index was up 177.68 points at 50,648.

MEXICO CITY was soft in early trading, weighed down by a decline in Televisa shares.

The IPC index had receded 27.35 to 3,225.52. Trading volume was standing at 13m shares.

Televisa was down 3.1 per cent in its benchmark CPO shares.

The company reported first-quarter losses of 395m pesos, versus a profit of 150m pesos a year ago.

South African golds flourish

Gold shares moved sharply higher, with key stocks scaling new peaks in busy trade as the rand sank to a fresh record low. Bullion's break out of its recent trading range to lift above $393 an ounce pushed the sector index up 3.9 per cent to an 11-week high.

The rand fell to R4.4250 against the dollar. Dealers said its depreciation had made for a confused and pessimistic market. Industrials were firmer in cautious trade, driven by rand jitters which prompted rand hedge buying.

Dealers said stability would only return to the financial markets if Mr Trevor Manuel, the minister of finance, provided concrete plans on exchange control abolition and rand support.

The overall index made 68.4 to 7,048.5, the industrial index was 44.2 stronger at 8,503.1 and the golds index gained 72.1 or almost 4 per cent at 1,911.1.

Anglos forged ahead R7 to R292, Gencor added 75 cents at R16.75, Freegold soared some 8 per cent to a new high of R45 and Loraine made 8 per cent to match its record of R16.25.

EUROPE

Political hopes steer Madrid to all-time high

Hopes that the centre-right Popular party would soon strike a deal with Catalan nationalists to form a stable government left MADRID at an all-time high.

The General index rose 1.82 to 359.95.

Analysts expected that the market would remain strong, although they pointed to 360 as a strong resistance level.

Telefónica put on Pta45 at Pta2,195 after it announced that first-quarter profits rose by 20.3 per cent.

Popular declined Pta360 to Pta21,910 as it denied rumours that it wanted to take over BCH, unchanged at Pta2,680. Santander picked up Pta110 to Pta6,160.

Huarte, the troubled construction company, gave up another Pta25 to Pta310 as the company continued to struggle to avoid liquidation following the withdrawal by Hochtief, the German constructor, from *a potential partnership.*

ZURICH turned its attention to Swiss Re as the group reported a 53 per cent increase in 1995 group net profits, but an early surge in the shares to a high of SFr1,324 soon gave way to profit-taking which left the stock SFr1 off at SFr1,313.

The SMI index followed much the same course, turning back from a peak of 3,682 to close 0.3 easier at 3,668.1, with much of the action driven by derivative dealings.

Industrials and banks were mostly lower. UBS fell SFr7 to SFr1,222 ahead of first-quarter results due today, but SBC added SFr1 at SFr468.

FRANKFURT moved quietly higher in the Ibis as the dollar improved. The Ibis ended at 2,538.68 after a close during floor trade of 2,532.41.

Daimler-Benz finished up DM8.20 at DM845.80 on forecast sales as Bayer fell DM5 to DM511.30 after going ex-dividend and having announced a rise in pre-tax profits in the first quarter slightly above expectations.

Lufthansa slipped 70 pfgs to DM252.30 after reporting a rise in first-quarter passenger traffic. *Wella was unchanged at* DM720 after announcing a fall in 1995 profits.

AMSTERDAM looked at the first-quarter results from KNP BT, did not like them and marked the shares down Fl 3.50 or 8 per cent to Fl 40. Investors were also unnerved by the group's forecast of a drop in 1996 net. The AEX index lost 2.55 to 551.33.

FT-SE Actuaries Share Indices

Apr 25 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1686.28	1686.44	1685.78	1685.40	1684.10	1684.28	1685.34	1684.54
FT-SE Eurotrack 200	1732.81	1734.00	1732.28	1731.83	1732.25	1733.41	1733.82	1733.73

	Apr 24	Apr 23	Apr 22	Apr 19	Apr 18
FT-SE Eurotrack 100	1683.71	1682.48	1681.77	1655.01	1649.21
FT-SE Eurotrack 200	1732.07	1733.74	1737.29	1719.89	1708.74

Base value 1000 (26/10/90); Highday: 100 - 1687.31; 200 - 1735.56 Lowday: 100 - 1683.32 200 - 1730.24. † Partial.

PARIS was slightly disappointed by the decision by the Bank of France to keep the intervention rate unchanged, and the CAC-40 index softened 5.75 to 2,116.35. Turnover was around FFr4.5bn.

Valeo was up against the trend, rising FFr3.80 to FFr294, as bid speculation continued to mount. Cerus, the French holding company of Carlo de Benedetti, *has said it will examine* offers for its near 30 per cent stake in the car parts maker.

VIENNA took its cue from Wienerberger as shares in the brick maker rallied Sch75 or 3.5 per cent to Sch2,215, following news that it was to form an alliance with Terca Brick Industries, of Belgium.

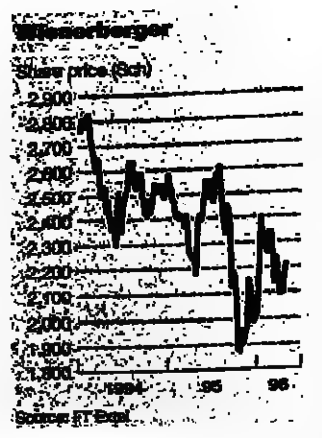
The ATX index moved up 1.32 to 1,180, extending a six-day bull run and touching a new 19-month high.

The merger news helped to soften a warning from the group that 1996 earnings could be eroded by the country's most severe winter in decades, as well as by worsening market conditions.

OMV, the oil and chemicals group, continued to advance ahead of next month's public *offer.* Dealers said foreign investors were behind its Sch2 rise to a new high for the year of Sch1,068.

OSLO had heavy trading in Transocean, a rig company, and Aker, the offshore and building materials group, as the Total index powered to an all-time high. The index made 6.53 or 0.8 per cent to 826.07. Turnover was NKr2bn.

Wienerberger



Transocean gained NKr25.5 to a year's high of NKr179 after it announced that Sonat Offshore Drilling, of Houston, Texas, had proposed a merger.

Aker's A shares, which hold voting rights, climbed NKr2.50 to NKr125.50 as the B stock fell Nkr1.50 to Nkr111.

Dealers said the company's largest single shareholder, Norwegian investment group Resource Group International, was thought to have sold out of B shares and bought up the A stock.

ISTANBUL declined as the lira weakened over fears that the coalition government might collapse in a row over allegations of corruption against the former prime minister, Ms Tansu Çiller.

The market dropped more than 4 per cent in the opening minutes before stabilising, and closed 1,381.97 or 2.1 per cent down at 64,631.23.

WARSAW hit its fourth consecutive year-high but lower volumes and selling after price fixing signalled the market could be ready to consolidate.

The Wig index rose 85.3 or 0.7 per cent to 12,499.0 as turnover shrank 9.5 per cent to 146.1m zlotys.

Optimus, a computer maker, leapt 6.3 per cent to 34 zlotys, on news that it planned to sell a convertible bond at a premium to the market price.

● MILAN was closed for a public holiday.

Written and edited by Michael Morgan and John Pitt

ASIA PACIFIC

Hong Kong loses 1.3% as Topix hits two-year high

Tokyo

The Topix index, a key measure for the stock market, hit its highest level in nearly two years, providing further evidence of the market's current strength, *Reuter reports from Tokyo.*

However, several strategists warned that the market was overheating and could undergo a correction in May. The Topix index firmed 2.35 to 1,714.05, exceeding its last closing high of 1,712.73 registered on June 13, 1994.

The index is a weighting of all 1,100 companies listed on the first section of the Tokyo stock exchange.

"The Topix has confirmed the market's current strength," said Haruyoshi Mabuchi, chief strategist at Nikko Research Center. "As the index comprises all companies in the first section, it really shows how strong the overall market is."

The benchmark Nikkei index of the 225 most heavily traded shares shed 51.95 to 22,230.10, while its June contract receded 70 points to 22,250. Dealers described the dip in the Nikkei as a brief pause in a continuing upward trend.

Volume was a heavy 698m shares, exceeding the 600m level for the first time since Tuesday of last week. This compares with 507m on Wednesday. Gainers exceeded losers by 620 to 480, while 135 issues were unchanged.

The Nikkei 225 average had burst through a key level of 22,000 on Monday to close at 22,123.89, it's highest level since February 7, 1992, when it ended at 22,107.12.

In London the ISE/Nikkei 50 index gained 1.54 at 1,491.83.

Some strategists said the market, which is close to many analysts' mid-year targets already, might run into problems in May when current inflows of fresh funds might dry up.

Analysts and traders, however, agreed that in the short term the market would continue its latest rally, which started in mid-March driven by ample funds from both foreign and domestic institutional investors.

Stock markets are closed on Monday and Friday next week for the Golden Week holiday.

The 300-share Nikkei edged forward 0.14 to 317.58, while the second section index climbed 11.23 to 2,226.97.

Roundup

HONG KONG fell 1.3 per cent, sapped by renewed weakness in US stocks and bonds overnight. The Hang Seng index lost 145.31 to 10,753.38 in turnover up slightly to HK$3.4bn.

Leading banks led the downturn as they again came under further pressure on worries over the current mortgage rate war. HSBC dipped HK$1.50 to HK$114.50, as did Hang Seng Bank to HK$75.75. Bank of East Asia slipped 50 cents to HK$25.50.

Key blue chips were broadly lower. Cheung Kong eased 50 cents to HK$53.75, Sun Hung Kai Properties HK$1.75 to HK$71.75 and HK Telecom 30 cents to HK$14.65.

SEOUL saw late profit-taking trim sharp early gains and the composite index ended 8.08 up at 964.69 after touching this year's record intra-day peak of 977.44 in morning dealings. Trade was active, 57.2m shares changing hands.

Brokers said institutions, and particularly insurance companies, were moving back to the stock market to compensate for softening bond yields.

Among banks and insurers, Bank of Pusan gained Won300 at Won10,700 after hitting a year's high of Won10,900. Samsung Fire Insurance rose Won30,000 to its limit of Won543,000.

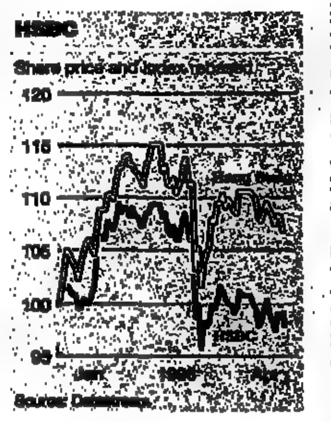
Posco moved ahead Won3,500 to the *day's upper limit of* Won62,800 on expectations that steel export prices would rise.

KUALA LUMPUR was broadly weaker, although large gains were seen in the shares of Malayan United Industries and Pengkalen Holdings. Second board shares were sharply lower as investors pared positions ahead of a long holiday weekend.

The composite index ended 7.30 weaker at 1,162.14, while the second board index lost 12.40 or 2.5 per cent to 482.64.

MUI and Pengkalen jumped on speculation that MUI would launch a hostile bid for Pengkalen. MUI, which rose 38 cents to M$2.54, said on Wednesday that it had bought a 31 per cent stake in Pengkalen, ahead 80 cents at M$7.90.

HSBC



SINGAPORE remained cautious and the Straits Times Industrial index put on 3.57 at 2,384.75 after spending most of the day in negative territory.

Selective demand was seen for property stocks. Singapore Land rose 25 cents to S$10.20, while DBS Land was up 10 cents to S$5.30. Analysts said that caution over possible measures to curb speculation in the property market had not *evaporated but there were* investors looking to buy stocks at lower levels.

BOMBAY fell sharply after an early spurt as investors unwound positions ahead of the end of the account. The BSE-30 index climbed to a 17-month high of 3,950.82 before ending 32.96 down at 3,836.91.

Analysts said the Unit Trust of India sold heavily as prices soared in early trade, and towards the close it came in again to sell selectively.

SHENZHEN's local currency A shares lost ground after Wednesday's 8.6 per cent rally to a 1996 high. The index declined 8.66 or 5.7 per cent to close at 144.15 on profit-taking and renewed rumours about the failing health of the aged Chinese paramount leader Deng Xiaoping.

BANGKOK edged lower, with attention directed towards the release of economic data from the Bank of *Thailand.*

The SET index shed 1.98 to 1,308.70 in turnover of Bt4.3bn.

But dealers said there was little initial reaction to the latest set of economic data released by the bank which said the current account deficit had widened to Bt31bn in February from January's Bt14.7bn.

PTT Exploration & Production rallied Bt22 to Bt355 on speculation that it would announce further gas reserves.

JAKARTA saw investors take profits following the recent rally. The JSX index fell 4.839 to 625.380 in turnover of Rp463.7bn.

Property stocks rose on news about a new taxation ruling on property companies, which required only a 5 per cent final tax on sales and 6 per cent tax on rental revenues. The property index rose 6.357 to 143.734.

Among the properties, Ciputra Development rose Rp450 to Rp5,300 on 1.6m shares.

TAIPEI retreated on selling in financials which had been brought about by reports that provincial state-run banks would sell holdings in the stock stabilisation fund before July. The weighted index lost 16.66 to 5,970.15. Turnover was T$65.2bn.

A domestic newspaper reported that the banks had decided to divest nearly T$9bn in a government stock stabilisation fund to boost earnings figures before the end of the fiscal year on June 30.

Financials fell 1 per cent as a group, with the major state-run banks, Chang Hwa, First Commercial and Hwa Nan, losing a respective T$3.50, T$4 and T$2 to T$144.50, T$145 and T$136.50.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY APRIL 24 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY APRIL 23 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (80)	208.78	-0.1	204.60	140.93	165.19	176.98	0.6	3.90	209.01	204.81	140.65	164.95	175.00	209.01	162.68	168.82
Austria (25)	188.49	0.5	184.71	127.23	149.13	149.02	0.8	1.89	187.49	183.55	126.17	147.97	147.93	199.28	168.11	188.02
Belgium (31)	208.00	0.1	203.84	140.40	164.57	160.45	0.4	4.11	207.73	203.35	139.78	163.93	159.78	215.81	186.06	194.34
Brazil (28)	155.36	-0.3	152.25	104.88	122.92	283.45	-0.3	1.41	155.91	152.62	104.91	123.04	284.42	170.25	123.97	125.65
Canada (99)	162.22	0.1	158.97	109.50	128.36	159.81	0.1	2.35	161.98	158.57	109.00	127.83	159.74	162.22	134.14	135.84
Denmark (30)	297.73	-0.2	291.77	200.97	235.57	237.88	0.1	1.89	298.24	291.97	200.69	235.37	237.54	305.17	267.74	267.74
Finland (24)	182.28	0.0	178.63	123.04	144.22	184.45	0.3	2.89	182.21	178.38	122.61	143.80	183.90	276.11	171.73	181.51
France (97)	197.46	0.4	193.51	133.29	156.23	159.20	0.5	3.00	196.72	192.57	132.37	155.24	158.46	197.46	167.70	184.78
Germany (60)	170.25	-0.7	166.84	114.92	134.70	134.70	-0.4	1.84	171.37	167.77	115.32	135.25	135.25	174.38	149.49	151.15
Hong Kong (59)	427.25	0.0	418.70	288.40	338.05	424.33	0.0	3.33	427.34	418.35	287.57	337.25	424.46	451.19	323.87	343.00
Ireland (16)	274.25	-0.1	268.77	185.12	216.99	247.59	0.2	3.36	274.49	268.71	184.71	216.62	247.18	277.20	220.31	221.40
Italy (59)	83.20	0.3	81.54	56.16	65.83	98.72	0.6	2.05	82.96	81.21	55.82	65.47	98.17	83.20	67.22	70.84
Japan (481)	160.89	0.3	157.67	108.60	127.30	108.60	0.6	0.70	160.47	157.09	107.98	126.64	107.98	164.82	137.75	160.51
Malaysia (107)	573.49	-0.5	562.01	387.10	453.75	552.17	-0.4	1.58	576.42	564.28	387.88	454.90	554.33	577.22	425.77	491.40
Mexico (18)	1290.45	0.7	1264.62	871.06	1021.02	10490.14	0.9	1.30	1282.01	1255.02	862.68	1011.74	10398.95	1313.61	791.99	1026.51
Netherland (19)	289.36	0.0	283.57	195.32	228.94	224.98	0.2	3.14	289.47	283.38	194.79	228.45	224.40	291.80	237.16	242.79
New Zealand (15)	81.72	0.1	80.09	55.16	64.66	63.70	0.3	4.29	81.66	79.94	54.95	64.45	63.50	85.49	76.26	82.91
Norway (33)	250.14	0.2	245.13	168.84	197.91	222.01	0.4	2.34	249.51	244.25	167.90	196.91	221.14	250.14	215.04	223.76
Singapore (44)	433.06	-0.2	424.39	292.32	342.64	281.35	-0.1	1.35	433.92	424.78	291.99	342.44	281.69	465.21	355.81	371.15
South Africa (45)	374.22	-1.4	366.73	252.60	296.09	349.60	-0.8	2.02	379.47	371.48	255.35	299.47	351.46	437.76	338.91	350.07
Spain (37)	177.75	0.1	174.19	119.98	140.63	170.32	0.3	3.25	177.65	173.91	119.54	140.20	169.83	178.39	136.40	136.40
Sweden (48)	344.64	-0.8	337.74	232.63	272.68	344.17	-0.4	2.32	347.55	340.24	233.87	274.29	346.42	382.28	242.97	242.97
Switzerland (38)	244.11	0.1	239.23	164.78	193.14	166.65	0.6	1.52	243.84	238.70	164.08	192.43	165.59	252.34	184.11	185.25
Thailand (46)	178.29	0.9	174.72	120.34	141.06	174.96	0.9	1.87	176.76	173.03	118.94	139.49	173.35	193.95	138.23	138.55
United Kingdom (202)	234.45	-0.5	229.77	158.28	185.51	229.77	-0.4	4.00	235.62	230.66	158.55	185.94	230.66	237.43	208.12	208.96
USA (626)	265.34	-0.2	260.03	179.11	209.94	265.34	-0.2	2.19	265.80	260.21	178.86	209.77	265.80	269.11	209.38	209.67
Americas (771)	242.56	-0.2	237.71	163.73	191.82	203.84	-0.2	2.18	242.94	237.83	163.48	191.73	204.16	245.54	192.02	192.21
Europe (720)	210.34	-0.2	206.13	141.88	166.43	185.42	-0.0	2.96	210.80	206.37	141.85	166.38	185.43	211.35	181.77	182.02
Nordic (135)	295.51	-0.5	289.80	199.47	233.81	259.76	-0.1	2.30	297.02	290.77	199.87	234.41	260.11	297.50	236.22	236.22
Pacific Basin (832)	173.63	0.2	170.15	117.20	137.38	119.94	0.5	1.12	173.30	169.66	116.62	136.77	119.86	173.69	146.86	167.91
Euro-Pacific (1552)	188.81	-0.0	185.04	127.45	149.39	144.81	0.3	1.96	188.82	184.84	127.06	149.01	144.44	188.82	166.51	173.69
North America (725)	258.93	-0.2	253.75	174.78	204.87	258.22	-0.2	2.20	259.35	253.89	174.52	204.68	258.65	262.26	204.80	205.09
Europe Ex. UK (518)	192.04	-0.1	188.19	129.62	151.84	159.45	0.2	2.45	192.17	188.13	129.32	151.66	159.12	192.67	163.38	163.47
Pacific Ex. Japan (351)	293.08	-0.1	287.22	197.83	231.89	253.54	0.1	2.92	293.45	287.28	197.47	231.59	253.27	293.73	237.71	242.66
World Ex. US (1742)	189.96	0.0	186.16	128.23	150.30	149.16	0.2	1.99	190.01	186.01	127.86	149.95	148.82	190.01	167.38	174.09
World Ex. UK (2166)	210.80	-0.1	206.58	142.29	166.79	177.88	0.1	1.88	210.89	206.45	141.91	166.43	177.69	210.89	179.23	182.29
World Ex. Japan (1887)	242.18	-0.2	237.34	163.47	191.62	229.78	-0.1	2.50	242.65	237.54	163.28	191.50	230.00	242.65	199.41	199.41
The World Index (2368)	212.94	-0.1	208.67	143.73	168.48	182.62	0.1	2.07	213.12	208.63	143.41	168.19	182.51	213.12	181.82	184.64

Latest prices were unavailable for this edition.

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RECRUITMENT

JOBS: The facts of life for women in the workforce may not be all they seem

Babies who triumph over big business

Catherine Hakim, a researcher at the London School of Economics, has earned herself notoriety among many fellow academics for holding unfashionable views which challenge certain feminist beliefs about women and employment.

Hakim says her research shows that women prefer men as their bosses, that most women and men still regard wives as having the primary responsibility for housework and husbands as the main breadwinners, and that the full-time working woman is in the minority.

Her findings emerged earlier this year in an article for the British Journal of Sociology. She has now expanded her thesis into a book.*

It may be that Hakim has chosen to take a deliberately confrontational stance, but her findings cannot be ignored. She reports, for example, that half the working women who have a baby drop out of the workforce for a year or longer. The chances of a woman returning after having a baby to a job held open to her by an employer are no more than 50/50 – a real issue for small employers who bear the cost of holding open such jobs.

The findings should not be used to challenge women's right to equality in the workplace. But it may be that there has been an over-emphasis on the glass ceiling and less attention paid to why many women drop out of their careers, turning their backs on management. If this is happening widely, it would suggest there is a danger of the equal opportunities laws discriminating against the employer.

Her findings also demonstrate that attitudes and employment approaches of men and women continue to differ markedly. This has implications for management development. Some employers are already finding that many women drop out of their management streams at stages where they would have been approaching senior jobs.

Such observations can only be frustrating for women who are single-mindedly pursuing demanding careers, but they suggest that the truly egalitarian workplace where women are equally represented in every area may remain a dream.

Rent-a-head

The Battle of Towton moor in Yorkshire took place more than 500 years ago, but it somehow came to mind when thinking about interim management. It was fought in a snow storm on Palm Sunday in 1461. An accurate number of the slain is not known but it probably went into the tens of thousands, enough for Towton to be recorded as the bloodiest battle on English soil.

It was one of the many encounters in the Wars of the Roses between the houses of Lancaster and York. The Yorkists won on this occasion although neither army comprised vast numbers of county yeomen. Rather their ranks were swollen by thousands of foreign mercenaries who were roaming Europe, fighting for whoever could offer them an attractive purse.

Are we, at this late stage of the 20th century, witnessing the growth of the professional itinerant executive, cast adrift through no fault of his or her own, and willing to do battle for anyone who can pay the right price? A new guide,** produced by the Association of Temporary and Interim Executive Services, a trade body, estimates that in the UK alone there are between 8,000 and 10,000 senior executives operating as interim managers. The market, it reckons, is worth about £200m a year and is growing at a rate of 25 per cent a year.

Headhunting firms are growing increasingly interested in servicing this specialist market through dedicated operators. Egon Zehnder, for example, has EIM and Heidrick & Struggles has Protem. Boyden International has gone one step further by applying its own brand name to Boyden Interim Executive, run by Martin Wood who for five years managed the interim management arm of PA Consulting.

Wood says that many businesses continue to find difficulty with the concept of interim management. He likes to use the term headrenting, which he thinks fits neatly alongside headhunting.

To help potential customers, Wood distinguishes between different roles the temporary executive might play. For example, there is contract temping, which involves keeping a seat warm and a business or department ticking over.

A more demanding proposition is the true interim manager who is geared more towards project management. The executive would be usually over-qualified for the task, enabling him to get on with the job quickly from day one.

While the contract temp might look towards a permanent position, the new breed of interim will be happier to move from assignment to assignment. Companies, says Wood, are slowly coming to terms with the advantages of this kind of just-in-time management.

It is not cheap. A £40,000 a year job would probably be billed by an individual at the equivalent of £60,000, and the agency would expect to get a proportion equivalent to £20,000 a year on top.

One reason for the growing popularity of interim management, according to Andrew Garner of Boyden, is that fewer companies are prepared to carry the management overheads involved in succession planning in the current business climate. "They will be bringing in managers as needs must," he says. "What is not happening in management thinking at the moment is any consideration of when these changes will start to have their impact in the boardroom."

Changing employment demands have already filtered through into shorter contracts and longer hours for many senior executives. The next step may be to look at boardroom composition and ask whether every member is earning their place at the table. The Wars of the Roses were terribly destructive to those at the top.

Breaking through

An outplacement package is probably rightly regarded as one of the best ways of helping those who have lost their jobs in a redundancy programme find new employment. The search techniques and processes for coming to terms with the upheaval of job loss offered by outplacement specialists can prove invaluable. But it is expensive and cheaper options may be more attractive for those who would prefer a cash alternative.

The reason for mentioning this is a book† that has come across my desk covering many of the most effective strategies for dealing with sudden unemployment and the need to find a new job. The book is called Breakthrough, written and published by Anthony Weldon, a self-employed printer and publisher (price £12.99). Without any background in the recruitment or outplacement business, Weldon has picked up the essentials, which are not particularly complicated, and outlined them in a format that enables the reader to dip into whatever topic is most pressing.

It advises how to deal with the emotional impact of redundancy, the feelings of denial, anger, rejection, insecurity, depression and desire for revenge. Although much of the advice is common sense, it can be so easily neglected – for example, the need to understand that your loss is also your partner's.

There is important financial advice on pensions, benefits and personal budgets. Other sections help you determine your desired future career path, how to job search, including networking, how to set out a CV and how to conduct yourself at interview.

Key Issues in Women's Work: Female Heterogeneity and the Polarisation of Women's Employment, published by Athlone Press, price £35, hardback, or £14.95 in paperback.

***The ATIES guide to interim management is priced at £9.95, tel 0171 323 4300.*

†Breakthrough can be obtained from bookshops or from Bene Factum, Weldon's publishing business, tel 0171 630 8616.

Richard Donkin

BANKING FINANCE & GENERAL APPOINTMENTS

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HEAD OF THE SPECIAL INVESTIGATIONS UNIT

A UNIQUE FRAUD PREVENTION ROLE

Reporting directly to the Governors of the Bank of England, the Head of the Special Investigations Unit has a central role in investigating and preventing fraud and other criminal activities affecting the Banking sector. The current incumbent, Ian Watt, will retire late this year and the Bank is seeking to appoint his successor. The Unit includes a team of forensic accountants which carries out special investigations and acts as a source of expert knowledge and assistance for the Bank, and in particular its Supervision and Surveillance Division, on all fraud-related matters. *The Unit takes the lead in identifying* and following up incidents and trends and in developing an alertness within the Bank to potential criminal actions impacting on authorised banks. A key responsibility is liaison and co-operation with other investigative and regulatory agencies within the UK and abroad.

For this high profile role, professional credibility, personal probity and excellent interpersonal skills are important. Prospective candidates will be Chartered Accountants of over 20 years standing, probably having operated at Partner level with one of the UK's leading accountancy firms. *Given the nature of the work, significant previous* exposure to investigatory work is essential and it is likely that candidates will also have been involved in official investigations for regulatory bodies or government departments.

The rewards will reflect the seniority of the position and its importance both to the Bank and the financial community. For an informal discussion, please call Ian Watt on 0171 601 3801 or Roy Lecky-Thompson, Personnel Director, on 0171 601 3131. Alternatively, please write to Roy Lecky-Thompson, Personnel Director, Bank of England, Threadneedle Street, London EC2R 8AH.

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Recent successes have led to a significant increase in business and we now seek three additional trade finance professionals for the following positions:

- Structured Trade Finance specialist with emphasis on business origination in European emerging markets
- Export Credit specialist with experience of multisourced transactions, to work closely with the Project and Structured Finance Team.
- Trade Finance expert to market trade-related products to SBC Warburg's corporate clients.

At SBC Warburg the accent is on teamwork and quality of service. To meet our demanding criteria you must have extensive, relevant experience in your chosen field, supported by a strong track record in deal execution. Integrity, professionalism and credibility combined with superior communication skills will enable you to be successful within the Trade Finance team.

In return you can expect an excellent salary and remuneration package – designed to reflect the level of contribution we expect, as well as the personal impact you will make on our business.

To discuss these positions further or to apply please contact our Managing Consultant, Ann Semple, at NB Selection Limited, 10 Arthur Street, London, EC4R 9AY, telephone 0171 623 1520. Ref FS60405

SBC Warburg
A DIVISION OF SWISS BANK CORPORATION

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Working out in the field, you will provide expert advice to the sales force on the unit trust marketplace, new product developments and work with IFA Consultants, IFAs and Stockbrokers to develop potential business sources. This will involve participation in sales meetings, branch meetings and training sessions where specific investment expertise is required as well as direct sales calls on IFAs.

You must have at least three years' Unit Trust sales experience gained in an IFA environment and possess a high level of both unit trust and investment product knowledge coupled with market awareness. Lap-top computer literacy and above average report writing abilities are equally important to this role. Your excellent presentational and training skills will ensure that your workshop presentations are of the highest standard. Bright, personable and with exceptional liaison capabilities, you'll be quick to assimilate new information and be able to communicate persuasively to customers and the sales force.

We offer a competitive salary plus bonus package along with benefits which include a house purchase loan scheme, private medical cover, company car and non-contributory pension. If you feel you can enhance our quality of service and have the tenacity and drive to be involved in developing this new venture, we would like to hear from you.

To apply, please write with full career details, quoting reference 1522/FT, to: John R James, Recruitment Consultant, Standard Life Assurance Company, 40-42 George Street, Edinburgh EH2 2LE.

Closing date for receipt of applications 8th May 1996.

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- *Based in Hong Kong, with significant overseas travel, you will have contact with a wide variety of clients and cultures.*

The Candidates

- *Graduates, preferably with a further professional qualification.*
- *Up to 4 years of relevant or post qualification work experience, gained within investment banking, consulting, legal and/or accounting professions an advantage.*
- *Creativity and numeracy, together with strong analytical skills, essential.*
- *Ambitious, confident and self-motivated team player. Excellent interpersonal and communication skills.*
- *Excellent command of spoken and written English.*
- *Asian language skills helpful.*

Interested candidates please apply with a covering letter, full CV and contact telephone number to Investment Banking Department, Jardine Fleming Holdings Limited, 45th Floor, Jardine House, Hong Kong and marked on the envelope "Job Application". Short-listed candidates will be contacted by Jardine Fleming within 6 weeks.

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Please write, enclosing a detailed CV and indicating your current remuneration package to: Mrs Amanda Stevenson, Personnel & Training Manager, Bond Division, Hambros Bank Limited, London EC3N 4HA.

HAMBROS BANK

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to generate creative financing options
to ensure compliance with appropriate legal requirements and brand standards
to negotiate and conclude profitable deals

THE PERSON

- university level education
- five years business development experience, preferably in hotels, with an impressive track record of concluding significantly complex and profitable deals in Eastern Europe
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- proven negotiating skills
- resourceful and independent
- fluency in English and German

The positions may be based in either Prague, Vienna or Warsaw and will require extensive travel throughout Eastern Europe. If you meet the criteria we have set please send your curriculum vitae:

Ms Erna Pluym, Holiday Inn Worldwide, Neerveldstraat 101/103, Woluwe Office Park, 1200 Brussels, Belgium. Fax +32 2 777 5601

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Investment Analyst

BZW Asset Management (BZWAM) is the world's largest institutional fund manager with over US$300 billion of funds under management and employing some 1300 staff worldwide. With continuing business expansion there is an opportunity for an Investment Analyst into BZW Investment Management, the active fund management business of BZWAM.

The role

- Research coverage of UK and overseas markets
- Research coverage of unit trusts and investment trusts
- Servicing of client base
- Production of written material for publication on line plus articles

The qualifications

- Graduate calibre
- Experience (circa 2 years) of investment analysis
- Good understanding of UK stockmarket
- Excellent written and verbal communication skills

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Key Requirements

- ability to develop economic research studies, evaluate new and existing economic trends and provide critical analysis to appropriate divisions of the Bank, including money market, capital market and foreign exchange trading desks.
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- proven skills to develop and implement strategic plans related to human resources, training and structure of the department.

The successful candidates for both the positions will receive a competitive financial package consisting of a tax-free salary (at source), furnished housing, annual vacation, air tickets and an opportunity to participate in the rapidly evolving financial sector within Saudi Arabia. Suitable candidates are requested to send their résumé urgently to:

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P.O. Box 22613, Riyadh – 11416, Saudi Arabia, Fax: (00 9661) 405 7353

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- You supervise the preparation of corporate and VAT tax returns for all the group's entities.

Your profile

- Having worked for many years in a European based multinational company, you are familiar with tax regimes in different countries.
- Obviously you are strong in handling both corporate tax and VAT issues.
- Determined, persuasive and flexible, you are able to work in an evolving, unstructured and multicultural environment.
- Some experience in setting up companies in Europe would be helpful.

Interested?

Please forward your fully detailed CV to De Witte & Morel, for the attention of Mr. Luc Vermeersch.

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Excellent academics are required as is a resilient and well balanced personality. Rewards are superb and opportunities currently exist within product research/structuring areas, trading risk, and credit analysis groups. Many clients are willing to cross train in these competitive markets.

With so much movement and opportunity around, make sure you are taking the best career advice, call us today. Please telephone Jeremy Cooper or Zoë Ide on 0171 583 0073 or write to 16-18 New Bridge Street, London EC4V 6AU. Fax: 0171 353 3908

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- Negotiate new funding facilities
- Lead and motivate your team towards agreed goals.

To complement your degree (and possibly an MBA) you will need an impressive background in a managerial position involving raising finance either within an organisation, in a consultancy capacity, or as a lender. Practical experience of treasury management and of capital project appraisal is essential and experience of social housing would be a definite advantage. Your proven talent and skills in treasury must be matched with an approachable and communicative style and you will be happy working as part of a multi-disciplinary team to tight deadlines. You must be able to demonstrate empathy with a service led function which combines commercial success with a rigorous approach to quality.

For further details and an application form please contact the Personnel Department at High Wycombe on 01494 535823. CVs will not be accepted.

If you would like to discuss this position informally please telephone Alfons Dankis, Finance Director.

Closing date for receipt of applications: 17th May 1996.

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RESEARCH MANAGER

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The successful candidate should have relevant experience, must be capable of detailed and thorough analytical work, have strong communications skills and should have a record demonstrating initiative and motivation. They will probably be about 30 years old.

To apply, please write by 1st May with full CV to:

Box A5336, Financial Times,
One Southwark Bridge, London SE1 9HL

EUROPEAN CUSTODY MANAGER

The Franklin Templeton Group is one of the world's largest independent investment fund groups. As part of our continued expansion in Europe, we are currently seeking a Custody Manager to act as primary liaison between Templeton and our European Custodian Banks.

Based in our European headquarters in Edinburgh the successful applicant will establish and maintain relationships with Custodians, perform regular due diligence and create and maintain quarterly evaluations. Other duties will include assisting in the resolution of trading/settlement issues in local markets and providing management information on security market changes and innovations. The position will involve significant travel throughout Europe.

Ideally, the successful candidate will possess:

- A degree in business, finance or accounting.
- Custody experience within Banking or Investment industry.
- Solid knowledge of the evolving European investment industry and securities regulations.
- Strong interpersonal and communication skills.
- Advanced PC literacy (Excel/Word).
- Knowledge of French/German desirable.

Closing date for applications is Wednesday 8th May 1996. Please reply in writing enclosing CV and details of current salary package to:
Dawn Anderson, Templeton Global Investors Ltd, Saltire Court,
20 Castle Terrace, Edinburgh EH1 2EH.

Templeton: Part of the $140 billion Franklin Templeton Group.

Templeton

Assistant Fund Manager / Analyst-UK

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Perpetual is one of the UK's largest and most successful unit trust groups with funds under management of around £6 billion. We have an enviable track record of performance which over the last few years has won us several prestigious industry accolades - not least within the UK team itself.

The growth in the UK's funds has been spectacular, offering a clear opportunity for the right candidate to develop as part of a small team within an expanding and highly successful group. Initially you will support the senior fund managers responsible for a range of UK income and growth portfolios and will be expected to make sound investment recommendations and contribute to overall equity strategy. Once successful in this role you will have the opportunity to progress to take on specific portfolio responsibilities.

Given the challenging nature of this position you will need a minimum of five years' UK investment experience. Ideally you should also hold a recognised professional qualification such as the IMC, AIIMR or Securities Institute Diploma.

We offer highly attractive working conditions at a riverside location, together with a competitive benefits package and salary which is fully negotiable according to experience. Please send your CV together with a covering letter which should highlight the ways in which you feel you can contribute to the continuing success of the team. All applications will be treated in strictest confidence and should be addressed to Stephen Whittaker - Head of UK Investments, at the address below. Please include an outline of your current remuneration package and a daytime or evening telephone number.

Perpetual Perpetual Investment Management Services Limited, Perpetual House, 47 - 49 Station Road, Henley-on-Thames, Oxon RG9 1AF *(Regulated by IMRO)*

SD/3562

Madrid, the best investment for your career.

Our Investment bank, the leader in the sector and forming part of one Spain's foremost banking groups, continues to expand its operations abroad.

We are looking for a

TRADER

to reinforce our team of highly qualified professionals and continue our process of international growth.

You should have a university degree (Economics), complete fluency in English and Spanish, a sound 2 to 5 year experience in the financial markets, specifically LIFFE, MATIF and/or CBOT, and the ambition to join a young, dynamic and highly qualified team of professionals in the Propietary Trading Department in Madrid.

Please send a full CV, quoting ref. TRU. to Pol & Partners, c/ Pegaso 30, 1º, 28043 Madrid. Spain.

PAN EUROPEAN INVESTMENT FUND MANAGER

Young Executives - Private Equity ***London, Frankfurt or Stockholm***

One of Europe's largest private equity groups seeks to recruit 2 or 3 executives to join our young and dynamic investment team. The company is among the most successful in this sector and has built substantial returns for its world-wide investor base through the acquisition and disposal of investments in a wide range of companies throughout Northern Europe. Its success to date has derived from the entrepreneurial outlook of the team.

Previous direct experience of private equity is not necessary although computer literacy and some understanding of financial markets is essential. Candidates should be self starters, entrepreneurial and assertive team players. The role would include travel throughout Europe.

An excellent benefits package is offered.

Reply to Box A5334, Financial Times, One Southwark Bridge, London SE1 9HL

ACCOUNTANCY APPOINTMENTS

ACCOUNTANCY APPOINTMENTS

TECHNICAL DIRECTOR

THE INSTITUTE OF CHARTERED ACCOUNTANTS IN ENGLAND AND WALES

LONDON — **NEGOTIABLE SIX FIGURE PACKAGE**

- The Institute's Technical Director will retire during 1996. His successor is now being sought to take on this challenging, high profile role within the accountancy profession.
- Heading teams totalling 30 people, the position entails responsibility for a wide range of technical activities and embraces four specialist faculties, as well as the Research Board and a range of committees.
- He/she will implement the Institute's strategy for technical excellence and position the Institute as the leading source of authority and innovation in the main branches of accountancy.
- The Technical Director will direct technical activity towards maintaining the relevance and excellence of accountancy in support of members, promote the results of technical work effectively and take a leading role in representing the Institute externally.
- FCA, aged 40-55, candidates will probably either have experience in a senior technically orientated role within a large/medium sized practising firm (although not necessarily as a technical partner), or in industry.
- Candidates will bring an established reputation in the profession, strong leadership/organisation skills, and the ability to achieve results in teams comprising both paid and elected members. Authoritative communication skills including public speaking will be essential, as will a blend of drive and diplomacy.

Please apply in writing quoting reference 1127
with full career and salary details to:
Nigel Bates
Whitehead Selection Limited
11 Hill Street, London W1X 8BB
Tel: 0171 290 2043
http://www.ghnet.co.uk/whitehead

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Divisional Head of Finance

Courtaulds Textiles

For a highly successful, rapidly expanding, quoted consumer products group with a turnover in excess of £1bn.

- **RESPONSIBILITY** is to the Divisional Managing Director for the exercising of strict operational and financial control and for a strategic and commercial input for a major division with turnover of c£600m.
- **THE NEED** is for an energetic, ambitious, qualified accountant with strong technical and commercial acumen with an understanding of multi-site profit centres gained in international manufacturing.
- **PREFERRED AGE** 35–45. An attractive salary package will be offered. Location Midlands. Fluency in French is essential.

Write in confidence, enclosing a Curriculum Vitae, quoting ref: L8113 to:

TK SELECTION
8 Hallam Street, London, W1N 6DJ Fax: 0171 631 5317
A DIVISION OF TYZACK & PARTNERS

Jardine Matheson

The multinational at the heart of Asia

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Accountants

How far do your ambitions stretch?

Corporate Finance, Financial Control, Group Audit

Jardine Matheson is a major services, trading and property group, operating in the fast growing Asia Pacific region with a turnover of US$10 billion, employing 200,000 people worldwide.

Sound financial management has been at the heart of our business since we were formed in the nineteenth century and we are as committed to innovative financial practice today as we have always been. With this in mind, we are now looking for young, high calibre accountants to take up challenging positions within our organisation.

The successful candidates will initially join as managers in our Corporate Finance, Group Financial Control or Group Audit departments in Hong Kong. There may be a senior finance role within one of our worldwide operating units for more experienced candidates.

This is merely the first step. We need individuals with the ability and ambition to progress rapidly within our organisation. You will be a Chartered Accountant – or a finance MBA from a leading business school – in your late twenties or early thirties; ideally "Big Six" trained, with post qualification experience that has given you a high degree of commercial awareness and a strong desire to get involved in operational management.

Your personal qualities are important; you will be self motivated, credible, innovative and diplomatic. You should also have the adaptability and sensitivity to operate in a multi-cultural environment. Fluency in Mandarin and/or other Asian languages allied to overseas experience would be particularly welcome.

On offer is a first class remuneration package – in excess of £45,000, with significantly more available for suitably experienced candidates; it includes performance related bonus plus housing allowance and other large company benefits – and superb opportunities for career development with one of the most respected names not only in the Far East, but worldwide.

Please write, enclosing your full CV and quoting reference L/1639, to our advising consultant, David Hunter, at the address below. Alternatively call him for a discreet conversation on 0171 939 5721.

Executive Search & Selection,
Price Waterhouse, No 1 London Bridge,
London SE1 9QL. Fax: 0171 403 5265.
Internet: David_Hunter@Europe.notes.pw.com

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Finance Director

The kind of role ambitious accountants dream about

c.£80,000 + benefits + substantial bonus — Hants

A little about us . . .

A five year old, former management buy-out. We are now the independently managed subsidiary of an $8 billion US parent who are using us to spearhead their European penetration of facilities management. We are profitable; have a blue chip client base; turnover has doubled every year and is now in excess of £200m; we operate with an informal, flat organisation structure; and are able to rely upon an efficiently run finance function working to US reporting standards.

The role is . . .

Primarily, to focus on our business strategy and assist the Group MD with expansion of the business through acquisitions, alliances, and joint ventures; to work proactively with MD's of business units on financial management; and manage a department of finance and IT staff of c.60. You will raise profit margins still further; develop credibility to the point of being a potential successor MD in a couple of years time; be rewarded with a good salary and potentially a substantial bonus; and at the same time, have a lot of fun.

A little about you . . .

Probably 35-40 (30-45 at the outside) and a qualified accountant, you could be FD in a small company where you've gained general management skills, or FC/FD in a larger group where you've gained experience in several subsidiaries. You are highly commercial, not a "bean counter"; focused on delivering service rather than products; a committed team player; an influencer; enthusiastic; comfortable with informality; and you mix well with different cultures. Experience of acquisitions, re-structuring, joint-ventures and deals would be advantageous, as would exposure in a European context. Most of all, your track record screams of success, innovation and an ability to make a contribution and add value in a rapidly expanding environment.

Conclusion . . .

If you are an ambitious accountant, this is no dream! No hyperbole, no platitudes and no tired and worn phrases of exaggeration: this is a young company with a great future. Take the first step towards meeting us by writing to Michael Phillips or Hamish Davidson at Price Waterhouse quoting reference M/1638/FT.

Executive Search & Selection,
Price Waterhouse,
No 1 London Bridge,
London
SE1 9QL.
Fax: 0171 403 5265.
E-mail: Mike_Phillips@Europe.notes.pw.com

FINANCE DIRECTOR

Surrey — **c. £75,000 + car**

To join the new team bringing customer focus to a £200m transportation business, recently acquired by a major international group.

The job takes responsibility for all financial matters within the company, including the secretarial function and commercial information systems. The main thrust is to upgrade, significantly, all reporting and planning processes, ensuring financial and management controls are aligned to the needs of a rapidly changing business culture. Key to this will be ensuring a speedy and progressive change in employee attitudes and performance.

Success in this tough but rewarding role demands a graduate qualified accountant or numerate MBA who relishes complexity in technical and business issues, and has direct experience of effecting change in a substantial, fast-pace commercial environment. A true team player with a flair for leadership, you must demonstrate confidence and robustness with skills in communication at all levels.

Please write in confidence to Peter Williamson, enclosing a concise cv and remuneration details and quoting reference 042/FT. Explain briefly why we should meet.

Lawless & Williamson
EXECUTIVE SEARCH
1 Heathcock Court, 415 Strand, London WC2R 0NS

EUROTUNNEL - DEBT MANAGER

c£35,000 + BENEFITS

Eurotunnel, operator of the Channel Tunnel, after the first full year of services, is now market leader on the Calais cross-Channel routes.

The Group is re-negotiating its £8 billion debt with its bankers and this will establish the future borrowing and financial structure.

Group Treasury operates from Canary Wharf but will re-locate to Folkestone within the next 12 months. Internal promotion has created the need for a Debt Manager to play a key part in the management of the Group's borrowing agreements, including implementation of the future borrowing structure.

Key tasks will be to manage the loan portfolio, ensure compliance with complex Credit Agreements, maintain and develop debt systems and prepare analyses and reports for Senior Management, including analysis of risk exposures.

You will be experienced in managing the operation of complex multi-currency borrowing arrangements, have detailed knowledge of related market practice and operating procedures, strong analytical and computer skills, expertise in spreadsheet modelling and ideally systems development. The ability to communicate effectively and to meet tight deadlines is essential. A working knowledge of French would be an important advantage.

Please write, in confidence, with full career and salary details to Douglas Austin, MSL International Limited, 32 Aybrook Street, London W1M 3JL. Please quote reference 59177.

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FINANCE DIRECTOR

High-tech Manufacturing

Surrey — **c£50,000+package**

New board position in the £12 million-turnover UK subsidiary of an international group. A market leader. Customer-focused, technology-driven, niche products and services.

This is a chance for a clear-thinking team player with exceptionally strong communication skills to step up to board level and become involved in the commercial management of the business at a time of rapid change and ambitious expansion.

The challenge is to drive the financial integration of two operations in the UK covering the EMEA region. Develop rigorous, accurate and responsive management information and financial reporting systems.

We want a highly motivated qualified accountant with a record of management in a manufacturing environment. International experience would be a plus. Enthusiasm, leadership and a hands-on operating style are essential.

Please write sending full cv to Criterion Search, 50 Regent Street, London W1R 6LP. Tel: 0171-470 7108.

CRITERION SEARCH
Part of The Curzon Partnership

ING BARINGS

Controller - Equity Brokerage and Trading

CITY — EXCELLENT PACKAGE

ING Barings provides a wide range of financial services to governments, international agencies, corporations and investment institutions throughout the developed and developing world. Emerging markets continues to be an important area of the group's business.

ING Barings is further developing Barings' traditional strength in merchant banking, emerging markets securities and research, in conjunction with ING's complementary international position in capital and corporate markets.

As part of an ongoing process to strengthen the finance function, a key individual is required to provide financial management and support to the group's global equities broking and trading business. The successful candidate will manage a team of seven individuals who co-ordinate globally the reporting for this, the group's largest product area.

Reporting to the Group's Head of Product Control, the successful candidate will have a proven track record with a similar leading institution and, in particular, the production and analysis of financial management information over a large number of disparate revenue flows.

You will be a qualified accountant, probably from one of the Big 6 accounting firms, with a genuine desire to build an international career with a recognised market leader.

Interested applicants should contact Richard Parnell on 0171-379 3333 (or fax 0171-915 8714) for an initial discussion, or send him an up-to-date CV stating current remuneration at Robert Walters Associates, 25 Bedford Street, London WC2E 9HP. Internet: richard.parnell@rwa.co.uk

ROBERT WALTERS ASSOCIATES

LONDON WINDSOR NEW YORK AMSTERDAM BRUSSELS SYDNEY

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c. £85,000 package + equity opportunity — *Industrial Products* — *Midlands*

Finance Director

Rare challenge and opportunity on the Board of an established, profitable and growing c. £100 million company with UK and international operations, providing speciality chemical and plastic products to leading industries worldwide. The experienced management team has embarked on a new phase of focused, profitable growth and requires a Finance Director to bring control and to lead development opportunities. These include playing a key role in a planned flotation.

THE ROLE

- Reporting to the Board, responsible for statutory and secretarial reporting, the timely provision of business information and the financial management of very substantial capital assets.
- Exploit and develop existing systems, providing a service to and working with business managers to understand costs, improve product margins and reduce working capital.
- Key member of executive team evaluating acquisitions, maintaining banking contacts and building further relationships in readiness for market flotation.

THE QUALIFICATIONS

- Qualified accountant, probably 35-45, with a track record of strong financial disciplines in a recognised service-orientated manufacturing business.
- First-class financial management, costing and analysis skills honed in a manufacturing environment. Acquisition and flotation experience an advantage.
- A clear leader and achiever with a hands-on style, able to work with business managers in a decentralised organisation.

Leeds 0113 2307774
London 0171 493 1238
Manchester 0161 499 1700

Selector Europe · Spencer Stuart ·

Please reply with full details to: Selector Europe, Ref. 71120048V, Gladstone House, Redvers Close, Lawnswood Park, Leeds LS16 6QY

Audit Manager - Europe

Competitive Remuneration

Berkshire, UK

With a 53% annual growth rate and revenues in excess of $5bn, Dell is recognised as a dynamic front runner in the field of personal computing.

As part of our continual commitment towards quality and excellence, an opportunity now exists for an innovative, commercially driven Audit Manager in our European headquarters.

As a member of the European finance management team your initial remit will be to challenge existing operations and provide creative business solutions to further realise the company's goals and objectives.

You will play a proactive role in planning and facilitating process and control reviews across the region, with focus on both operational and financial issues.

For this demanding appointment you will demonstrate a risk-based audit approach with a minimum of 8 years' industry or Big 6 CPA/ACA firm experience.

You will be a graduate with exceptional verbal and written communication skills together with a well developed analytical ability. Fluency in English is essential and a second European language is highly desirable, together with a willingness to travel extensively across the European region.

To appoint an individual of the highest calibre, Dell is able to offer an excellent compensation package as well as outstanding career opportunities in one of the most innovative businesses of its kind.

Interested candidates should contact our advising consultant Jane Stone, in the strictest confidence at FSS Europe, Charlotte House, 14 Windmill Street, London W1P 2DY, UK. Tel: (44) 171 209 1000. Fax: (44) 171 209 0001. E-Mail: jane.s.fss.co.uk Quoting ref: FT0044.

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CHIEF MANAGEMENT ACCOUNTANT

Planning & Control

Saudi Arabia — **Tax Free Salary & Benefits**

HADEED

The Saudi Iron & Steel Company (HADEED) is based in Al-Jubail, an industrial city in the Eastern Province of Saudi Arabia. We operate an integrated iron and steel complex, employing a multi-national workforce of over 2,500 people. The plant has been in existence for over 10 years and is rated one of the most efficient steel producers in the world, at over 2.5 million tonnes per annum. State-of-the-art technology is used throughout in producing steel billets, reinforcing bars, wire rod and light sections.

We are looking for an experienced and talented professional to contribute to the financial management of our highly successful and complex organisation. Your prime responsibility will be to plan, organise, direct and control the flow of financial information across the company, and to advise senior management on broader strategic financial issues. This will involve developing appropriate financial procedures, conducting effectiveness reviews and preparing a range of financial reports including the President's Financial Report prior to submission to the Board.

To do this successfully, you must have a recognised and relevant professional qualification. This should be backed by at least 10 years' experience in a similar environment preparing Management Accounts, Financial Reviews and exercising Financial Control.

A lifestyle rich in sporting and recreational opportunities is available. Travel within the Middle East and beyond to Europe, Africa and SE Asia is easy and affordable. As well as public holidays, you will receive an annual vacation of 34 days with free round trip air tickets. In addition to a single or married status renewable contract, you will be offered a salary package free of tax, enhanced by an end of contract bonus and a number of benefits including free fully furnished air conditioned accommodation, transport allowance, free utilities and comprehensive medical care.

To apply, please send two copies of your CV, or fax one copy to Moxon Dolphin Kerby, 178-202 Great Portland Street, London W1N 6JJ. Fax: 0171 637 3185. Quoting Ref: 28089.

MOXON·DOLPHIN·KERBY INTERNATIONAL

FINANCIAL CONTROLLER

To £45k

FRANKFURT

Filofax is a group of consumer supply businesses offering specialised products under strong brand names in over forty countries worldwide. Since 1991 organic and acquisitive growth has seen Group turnover increase four-fold.

Filofax Gmbh was established in 1993 as a wholly owned subsidiary, to distribute the Group's products in Germany. Rapid growth since then has resulted in the need to recruit a commercially aware Financial Controller with responsibility for all aspects of finance and administration.

Reporting directly to the General Manager, but with a dotted line into Group Finance, this expansive role will encompass all aspects of Group reporting, the development and operation of tight financial controls, working capital management, information systems and general administration.

An ambitious individual, this is your opportunity to operate at the sharp end of a progressive business. You will be a qualified accountant with exposure to a sales/distribution background and experience of staff management at all levels, either in commerce or through the profession. Fluency in German is a pre-requisite and you will be young but mature enough to command respect in a highly commercial and entrepreneurial role.

Please call or write in full confidence, to Ronnie Sull (Executive Selection Division) enclosing a detailed resume.

RICHARD JAMES ASSOCIATES

COMMITTED TO EQUAL OPPORTUNITIES
PREMIER HOUSE, 10 GREYCOAT PLACE, LONDON SW1P 1SB.
TELEPHONE: 0171 222 8866, 0171 222 8037/8. FAX: 0171 233 1759

EXECUTIVE CONNECTIONS

Business Analyst

Kleinwort Benson is an international Investment Bank with a network of offices and a global client base. During 1995 Kleinwort Benson became part of Dresdner Bank AG, one of Europe's leading financial services groups. The combination of Kleinwort Benson's Investment Banking activities with those of Dresdner Bank has created substantial new opportunities and challenges in the Group's Equity Division, covering securities trading and distribution.

This challenging and varied role involves supporting the Equity Division's Managing Director, Deputy Managing Director and Finance Director in an "enabling the business role" and will include both task and project work covering the following areas:

- Assisting in the development and implementation of strategic and tactical plans.
- Developing and implementing the management information requirements of the division.
- Assisting the further development of the risk management infrastructure.
- Assisting Product Heads with writing, presenting and implementing business proposals.
- Working on ad hoc tasks that resolve issues and implement solutions to business problems.

The role will give the successful candidate a unique insight into, and involvement in, the running of a Securities trading business. Kleinwort Benson is looking to recruit a truly exceptional young accountant. ACA, ACMA or ACCA qualified with up to 3 years' PQE, you must be a dynamic "self starter" keen and able to take the initiative on a range of tasks, you must have the ability to "multi-task" and be able to add value with minimal supervision. In addition, outstanding interpersonal skills and a genuine interest in the securities and equity derivatives markets are essential.

This position offers a comprehensive and highly competitive remuneration package.

If you feel that you can meet the challenges that this unique role offers then please forward your CV to our Consultants Paul Glatzel or Denise Slocombe at Executive Connections, 43 Eagle Street, London WC1R 4AP. (Fax: 0171 872 0083). E-Mail: p.glatzel@executive-connections.co.uk If you have any questions, then please phone them on 0171 242 8103 (evenings/weekends: 01895 824037). Please note: CVs forwarded directly to Kleinwort Benson will be passed to Executive Connections.

Kleinwort Benson

Member of the Dresdner Bank Group

FINANCE DIRECTOR DESIGNATE

Excellent Package up to £40,000

Our client is a highly successful manufacturer and distributor of gold jewellery based in the Hatton Garden area. The company has recently experienced a phase of exceptional growth and anticipates continued high levels of activity and further expansion.

An opportunity now exists for a commercially talented financial professional to play a central, strategic role in the company's future. Working closely with the Managing Director, you will have full responsibility for the Finance and Administration departments. Your role will involve systems development as well as the provision of regular management information and preparation of accounts, budgets and forecasts. An initial key function will be the acquisition and implementation of new computer software to replace the company's existing packages.

As a graduate Chartered accountant, probably in your early to mid thirties, you should demonstrate that you already have a detailed knowledge of financial management and considerable systems experience. You will also have developed a flexible and problem-solving management style in a high pressure environment. Your credibility in leading and motivating a team should be founded on personal, commercial, and analytical excellence. Knowledge of the jewellery sector, although useful, is not a requirement.

If you consider you have the ability to fulfil this challenging and stimulating role, please send your CV stating current remuneration package to:
Gary Miller, H W Fisher & Company, 11-15 William Road, London NW1 3ER. Fax: 0171 380 4900; E-mail: info@hwfisher.co.uk

H. W. FISHER & COMPANY
CHARTERED ACCOUNTANTS

مكرر من الاصل

IT Senior Appointments

Heinz

Information Services Manager – Northern Europe

Location: Paris or Brussels

H.J. Heinz Company today markets more than 4,000 brands around the world. 1995 saw sales grow 15% to $8.5 billion a far cry from the original 57 brands touted in advertising at the turn of the century. Over the years Heinz has expanded it's core business and continues to grow through the acquisition of many renowned brands and world class factories.

Due to career progression within our organisation we are now in search of a I.S. Manager for our Northern European operations.

The function will report temporarily to the Director of Logistics and manage 5 direct reports. Outlined below are the major accountabilities for this challenging appointment:-

- To maintain, manage, improve and control information services throughout Northern Europe in order to optimise operating efficiency across the business.
- To direct and evaluate studies of the economics of possible alternative processing methods.
- To provide advice and council to the Northern European Management Board concerning the applications of Information Technology.
- Review present system strategy, proposing appropriate changes to increase efficiency and reduce costs.
- Keep abreast of new developments in the Information Technology world.
- Manage, appraise, motivate and challenge I.S. personnel, ensuring service level agreement with users are achieved.

In order to fulfil these responsibilities you will need to be able to operate in a multi-cultural environment combining an international perspective with local market knowledge. You will be a highly self-motivated individual who can demonstrate a successful track record of delivering critical solutions to Business Information Systems within an international environment.

You need to have excellent communication skills along with fluency in English and at least one other European Language.

This is outstanding opportunity to influence the direction of Information Systems in one of the best known household brands in the world. Heinz rewards excellence, welcomes ambitious people and will provide the challenge and environment to ensure you fulfil your maximum potential. Relocation assistance will be provided.

For a confidential discussion please contact our advising consultants David V Holloway or Mark Pockels at Drax Dearman Associates quoting the ad reference FT0048 using one of the following methods:

- Telephone: + (44) 171 419 0229 or + (44) 171 209 1000
- Fax: + (44) 171 209 0001
- By Post: Charlotte House, 14 Windmill Street, London W1P 2DY, UK
- E.mail David@dearman.demon.co.uk.

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Ericsson Hewlett-Packard Telecommunications

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Ericsson Hewlett-Packard Telecommunications is a leader in telecommunications management support systems. Our collaboration with Ericsson and Hewlett-Packard, including their activities in over 100 countries, enables us to supply our customers with local sales, service and support, almost anywhere in the world.

BUSINESS & LEGAL ADVISER

Location: Grenoble, France

The Business & Legal Adviser will help ensure our intellectual property rights are skilfully handled and properly protected, assist in the negotiation of software licensing agreements, educate personnel and develop internal competence with regard to legal matters.

An ideal candidate will have 3 to 5 years experience negotiating software licensing and protection agreements, legal knowledge of intellectual property rights and contracts, and a thorough understanding of modern business practices and procedures. This person should be an effective communicator, results oriented, with a high energy level and leadership skills.

For further information please contact either Birgit HJELM PICHAT at +(33) 76 62 45 54 or Claes GISLE at +(33) 76 62 45 31, in Grenoble, France. FAX: +(33) 76 62 45 33.

Applications in English along with your curriculum vitae and salary expectations must be received before May 10, 1996 by:

Ericsson Hewlett-Packard Telecommunications
Attn. Claes GISLE
Miniparc Alpes-Congres
1, rue Roland Garros
F-3820 EYBENS
France

ERICSSON
HEWLETT PACKARD

PROJECT MANAGER

RAPIDLY EXPANDING BREWING GROUP seeks Project Manager to oversee implementation of MIS System in two Polish Breweries.

The Brewpole Group has developed into the leading Polish brewing group in the past four years, investing in and developing two breweries in northern Poland. The next stage of the development of our group is to implement and integrate management information system. We have undergone a detailed tender process and are in the process in finalising system selection. The hiring of a project manager to oversee the implementation of this system will be crucial to the project's success as well as the continued growth of our group.

The Position

- Full project and implementation responsibility
- Report to Group Finance Director.
- Lead project team of Group employees from all operating departments, committed full time to the implementation.
- Provide strategic direction for the future development of Group IT and MIS functions.
- A two year contract is offered, although definitely not a limit. Relocation to Poland is required.

Qualifications

- Project management (in-house or consultancy) experience in a manufacturing environment, showing a high level of people management and business reengineering experience.
- High level of motivation and strong leadership skills.
- Polish language skills ideal, although not required.
- Experience with intergrated software solutions.

We are an entrepreneurial group of individuals who form a small management team of what is becoming a major European brewing group. This is an excellent opportunity for a driven individual to join this team and to contribute to the design and shape of our future.

Please send a full cv to Mr. Mark Hopper, fax: 048 58 31 88 54
or if necessary call Kate Bronz for additional information, tel: 048 58 46 38 11

KPMG

Head of IT

Tax Free package to £100,000+benefits **United Arab Emirates**

Our client is a major financial institution with its principal operational base in the United Arab Emirates, investing globally in most major market sectors. As a consequence of an assessment of its IT operations, the need has arisen to appoint a Chief Information Officer (Head of IT) to review and upgrade their IT and communications systems, to more effectively support their investment operations.

This is a strategic role at senior advisor level, to review the current and future business needs and to direct the design and implementation of a strategy to introduce appropriate systems to manage and evaluate investments and treasury functions to best industry standards.

A computer science graduate, preferably with a second degree level qualification in finance, the successful candidate will be able to demonstrate experience of operating at a senior level in a major financial institution with a significant fund management business, managing the effective deployment of information technology systems. The person will have gained a thorough understanding of the operational aspects of such a major financial institution, have a high degree of business acumen with strategic vision and a proven ability to analyse and understand business requirements and to deliver effective IT solutions. Extensive knowledge of current IT technology will be required, together with high level project management skills. Experience in the selection of vendor packages and systems architecture, as well as evidence of successful delivery of IT solutions, incorporating third party packages, in an international investment management environment will be necessary.

If you are a dynamic individual who meets the above criteria and has the ability to achieve through diplomacy and persuasion, please send your CV with details of current remuneration to Bernard Grant at KPMG Selection & Search, 1–2 Dorset Rise, London EC4Y 8AE. Fax number 0171 311 5872 (Ref: 118F).

KPMG Selection & Search

Do Morgan Stanley have the best jobs in IT?

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Now you can find out for sure on April 26th & 27th and May 4th. Human resource directors, IT directors, Technical Specialists and Personnel Managers of 20 of the most sought after employers of IT systems and networking staff will be at **Visit**, the UK's most popular and effective recruitment event ever.

Previously at **Visit** 1 in 4 candidates set up second interviews on the day. 7 in 10 candidates found out information that helped them in their career. In just one year 500 people have moved to better jobs by attending **Visit**.

Companies exhibiting at **Visit** include Admiral Computing, Ajilon, American Express, Andersen Consulting, British Airways, CMG, CCN, DHL, Dixons, Easams, IBM, Icom Solutions, Logica, Lotus, META Group, Morgan Stanley, Parity Consulting, SAIC, Seer Technologies, SSA Acclaim, Sherwood International and Thomas Cook.

Visit London,
Olympia Conference Centre,
Hammersmith Road,
London W14 8UX
April 26th-27th

Visit Birmingham,
Concourse Suite,
Atrium Entrance,
National Exhibition Centre,
Birmingham
Saturday May 4th 10am-6pm

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National call rate (calls will cost no more than 10p per minute)

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CZECH FINANCE AND INVESTMENT

A race to bridge the wealth gap

While considerable economic progress has been made in the Czech Republic in recent years, observers point to a lack of long-term domestic investment capital, report **Vincent Boland** and **Kevin Done** in Prague

Not many governments can claim to have succeeded in every politician's goal of keeping most of the people happy, most of the time. But the government of Czech prime minister Václav Klaus, which is facing a general election at the end of May, is one which can justifiably make such a boast.

During its four-year term, the centre-right coalition has racked up an enviable list of achievements. These include a popular privatisation programme, economic growth that has finally achieved a respectable 5 per cent a year, and a population that is more prosperous now than it was four years ago and can look forward to an even brighter future.

Finally, there is the Czech Republic's recent elevation to rich-country status through membership of the Organisation for Economic Co-operation and Development (OECD) which has underlined the progress made to date.

Continuity is the theme as the so-far muted election campaign limbers up for its official start on May 15. Even the credible opposition is not vowing any radical change, which means that to a large extent its platform is indistinguishable from that of the governing parties campaigning for re-election.

Opinion polls predict that the three parties in the outgoing government – the prime minister's Civic Democratic Party, the smaller Civic Democratic Alliance, and the Christian Democrats – should be able to form a new government after the vote. An initial burst of support last summer for the Social Democrats, the main opposition party, appears to have waned.

Yet while the election seems predictable, it is nonetheless crucial, because the new government will have to find the answer to the most pressing question the country now faces – how to achieve economic growth rates that will allow it to bridge the wealth gap with the European Union in the shortest possible time.

After five years of rapid reform, the Czech Republic nevertheless remains a low-wage, low-tech economy dependent on exports of industrial goods manufactured by an old industrial base. That is the base that must provide the accelerated growth, but it is currently in flux as post-privatisation consolidation gets under way.

The Czech Republic has certain key advantages in seeking to achieve higher growth rates, which economists suggest need to be at levels of 7 to 8 per cent, sustained over a decade or more, to catch up with its western neighbours. The country has a qualified and cheap labour force, a high degree of social cohesion, high savings, a good geographical location, and the incentive of early entry into the EU.

What is lacking, observers say, is long-term domestic investment capital.

"To generate high growth you need high levels of investment," says Mr Vikas Thapar, Prague representative of the World Bank's International Finance Corporation. "If high investment is added to existing assets, higher growth rates are possible."

Mr Zdenek Bakala, chairman of the investment bank Patria Finance, rates a functioning equity market as one of the top three criteria necessary for higher economic growth. To date, the majority of industrial restructuring has been financed by debt, not equity. Although much progress has been made in restructuring, a fundamental change in attitudes towards equity financing will be required if the domestic capital base is to be expanded to allow the process to accelerate.

The ownership structure that resulted from coupon privatisation is surprisingly inimical to equity capital. Banks in which the state is still the biggest shareholder control funds which own the bulk of privatised industry. These banks have a tight grip on financing options, with the result that lending portfolios have expanded dramatically in the past few years, suffocating the equity market.

Those bankers and investors who were not in at the start of the fund boom have found the capital market that resulted from it an exclusionary and hostile place. Proponents of equity capital believe that by controlling industry, banks have a monopoly of financing through expensive debt at the cost of cheaper long-term equity financing.

"The fact that Czech issuers should be able to issue shares and have them properly priced is crucial if this country is to get higher growth rates," Mr Bakala says. "There are only so many over-priced commercial bank loans you can stuff into the industrial sector before something starts to give."

Many economists believe that one reason why companies tend to borrow rather than issue equity is that they have not yet been forced to consider the true cost of long term capital. Because labour is so cheap, companies have not tended to replace it with additional capital.

But that may be changing, as investment levels at companies expand because of the onset of the second, consolidation phase of privatisation. Productivity growth expanded by 10.5 per cent in real terms in 1995 as a result of a 16.1 per cent rise in fixed capital investment, while labour costs grew by only 5 per cent in real terms.

Mr Kamil Janáček, chief economist at Komerční Banka, believes these statistics show that capital is beginning to replace labour. "Demand for low-skilled labour is falling," he says, citing figures that show that some 8 per cent of unskilled workers are unemployed, while 22 per cent of those without a job come under the category of long term unemployed.

The Czech Republic had a national unemployment level of just 3 per cent in February, while the level in Prague, the hub of the economy, was less than one per cent. Unemployment among college graduates, meanwhile, was only 0.7 per cent at the end of last year, Mr Janáček says. Some Czech companies are importing labour from Poland and Ukraine.

Factors behind the remarkably low level of unemployment are the huge explosion in the services sector, the paucity of welfare, the rise in gross domestic product, and the low cost of labour. The first of these may be regarded as a one-off, the last as a distortion that will eventually be eroded. Even politicians regard a rise in the unemployment level over the next few years with equanimity. Mr Janáček warns that "the only real barrier to economic growth is the lack of a qualified labour force".

Nevertheless, the low cost of labour will be an advantage for a long time, even as wage differentials with western Europe fall. There is no significant labour movement demanding high wage rises, and a recent increase in the minimum wage has met the most pressing demand of the confederation of trade unions. So the Czech Republic will remain an attractive location for manufacturing industry.

This again raises the question of whether manufacturing industry will be able to find the capital to aid its restructuring. A widening current account deficit has highlighted the extent to which industry needs to become more competitive, while also showing the extent to which it is attempting to do so through rising imports of capital goods to modernise production facilities.

The power of banks and fund managers to limit the financing options of Czech companies has also pushed other investors and capital sources to the sidelines. The unruly Prague stock market, beset by insider dealing and lack of protection for minority investors, has frightened off many foreign portfolio investors who might be willing to commit capital if they could be assured of as good a chance of a return on their investments as the most powerful local shareholders.

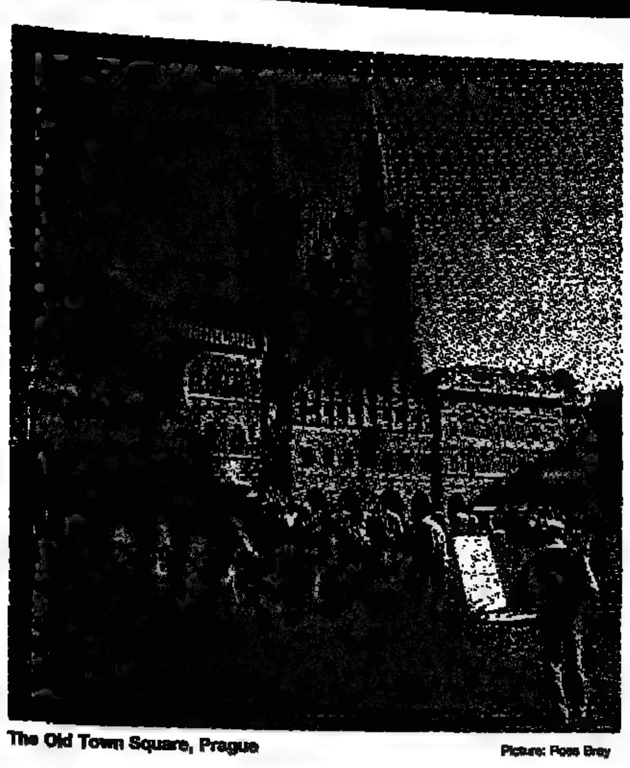
A new government after June 1, whatever its make-up, must put the era of coupon privatisation behind it, as well as the belief that has been fostered that the Czech capital market, and by implication the Czech economy, is unique. For all its domestic success, the coupon programme and its aftermath are now facing their stiffest test as the Czech Republic integrates into the global economy.

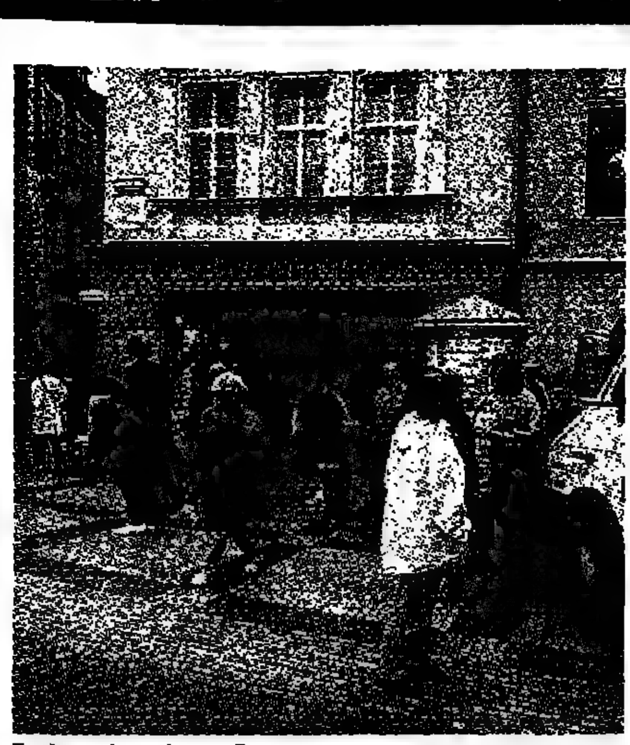
The clash between continental conservatism and Anglo-Saxon liberalism that is ensuing will have winners and losers on both sides.


Czech prime minister Václav Klaus: the centre-right coalition government faces a general election at the end of May


Prague businessmen and tourists cross the Charles Bridge, over the Vltava River. Prague is one of the finest cities in Europe Picture: Sarah Murray

IN THIS SURVEY


The Old Town Square, Prague


Foreign exchange bureau, Prague

■ **Economic scene:** By Kevin Done

Enviable reputation for stability and progress

Growth in the Czech economy, lauded as one of the success stories of the transition process in central and east Europe, is gathering pace

The Czech Republic has been transformed from one of the most centralised to one of the most market-oriented of the former communist countries in the last six years.

It is the most highly regarded country from the region in the international capital markets with investment grade ratings from all the leading rating agencies, and it is the only one to have been given an 'A' rating by Standard & Poor's.

The Czech Republic and Hungary are the two countries judged by the European Bank for Reconstruction and Development to have made most progress in the process of transition to an open market economy. The bank estimated last year that the private sector share of gross domestic product (GDP) at around 70 per cent was the highest in central and east Europe.

There is still far to go, however, with concern that the country's achievements are much less impressive in key areas such as enterprise restructuring, price liberalisation – in particular, for energy and housing – competition policy and in the reform of financial institutions.

A couple of years of growth have not yet even overcome the impact of the recession of the early 1990s let alone made much headway in closing the gap in prosperity with developed western countries.

The EBRD forecasts that the projected level of GDP in the Czech Republic this year will still only be at around 90 per cent of the level of 1989. By this measure, Poland is leading the pack, and this year it will become the first country from the region to make good all the decline in output of the early 1990s.

In terms of GDP per capita – measured by purchasing power – the Czech Republic ranks behind only Slovenia in central and east Europe according to a recent report by Eurostat, the European Union statistical office. However, even these two countries were still behind the European Union's lowest ranking country, Greece, and they were little better than a third of the level of the US and Switzerland.

Initially, the Czech Republic lagged behind Poland in emerging from the recession that followed the collapse of communism, but after stabilising in 1993, the economy has expanded rapidly in the last two years.

Gross domestic product (GDP) grew by 2.6 per cent in 1994 and by 4.8 per cent last year, and Mr Ivan Kocarnik, Czech Finance Minister, forecast recently a further rise to 5.5 per cent this year and to between 5.5 and 5.7 per cent in 1997.

Concerns have been expressed about the impact on the Czech economy – and on other countries in the region – of the slowdown in activity in west Europe and, in particular, in Germany, which accounted for 32 per cent of Czech exports last year. Recent cuts in German short-term interest rates, which have been reduced to the record lows last reached eight years ago, should help stimulate economic growth both in Germany and elsewhere in Europe, however. With exports accounting for a high portion of Czech GDP, a small improvement in exports would have a substantial effect on economic growth. In the past year, exports have taken a back seat as an engine of growth, however, with expansion being fuelled much more significantly by domestic demand, by both rising consumption and investment.

At the same time, Czech export competitiveness has been constrained by the slow

> Czech reserves of foreign exchange have surged

pace of industrial modernisation, according to a recent study by Merrill Lynch, the US investment bank, and certainly both the trade and current accounts have deteriorated sharply during the past 18 months with imports growing rapidly to supply the expanding economy.

The trade deficit widened to \$3.9bn in 1995 from \$0.9bn in 1994 according to a recent report from the Institute of International Finance, the global association of private financial institutions. Export growth was limited to an increase of 5 per cent in volume after a rise of 3 per cent in 1994. "With strong demand diverting sales to the domestic market, Czech exporters again lost market share abroad," says the IIF study.

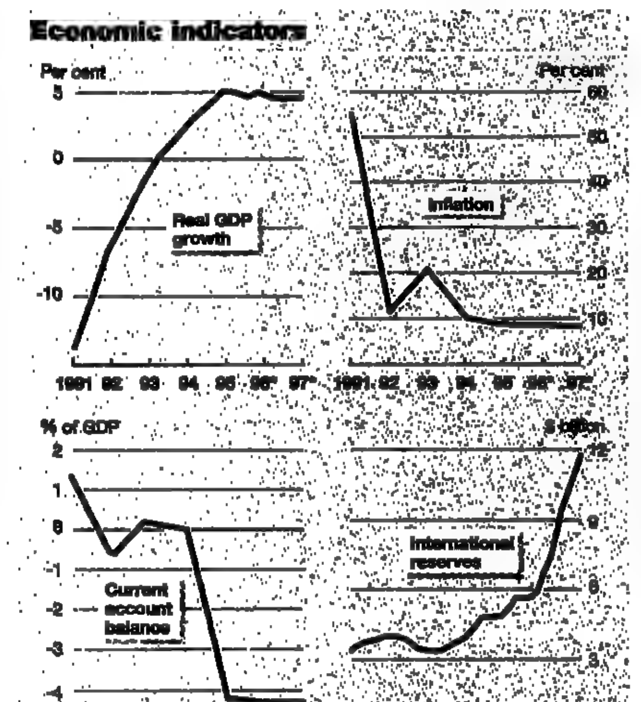
By contrast, import volumes surged by 24 per cent, boosted by imports of investment goods and purchases of intermediate products. Higher imports widened the current account deficit to \$1.9bn, or more than 4 per cent of GDP, from near balance in 1994. The Czech Republic still has a strong surplus in services, however, with the most important contribution coming from tourism, which helps to moderate the impact of the growing trade deficit.

The Czech government still dismisses concerns expressed about the trade deficit and argues, that it is inevitable that the deficit will rise at this stage of the transformation of the economy with the rising imports largely accounted for by growing investment, as industrial output and construction expand.

An analysis made by Komerční Banka, the leading Czech commercial bank, says that the higher volume of imports are "of a predominantly pro-investment character" and that they are coming especially from advanced market economies, indirectly indicating the quality of the imports.

The present import and investment wave is expected to result in "a higher technological level, and higher competitiveness of goods and tradeable services both at home and in foreign markets," says the bank report. It will take time for this impact to show through in the country's trade performance, however, and in the meantime the slack is being taken up by foreign capital inflows.

Economic indicators



With its enviable reputation for stability, both political and economic, in the region – the Czech Republic has one of the lowest inflation rates in the region (7.9 per cent year-on-year in December), a strong currency and a government budget surplus – the Czech overall balance of payments has been marked by a massive inflow of foreign capital.

According to Komerční Banka, the gross inflow of foreign capital last year reached almost \$10bn, of which about 30 per cent represented foreign direct investment, 35 per cent other long-term capital, 17 per cent portfolio investment and 18 per cent short-term capital.

The resulting surplus on the capital account was several times the sum needed to cover the current account deficit, and as a result the country's foreign exchange reserves have surged with the official reserves of the Czech National Bank reaching around \$13.9bn by the end of last year compared with \$6.2bn at the end of 1994 and \$3.8bn at the end of 1993.

■ **Czech currency**

Greater flexibility in exchange rate policy

Central bank takes precautionary steps following heavy inflows of foreign capital

On February 28, the Czech National Bank took the widely anticipated step of widening the band against which the koruna fluctuates against a hard-currency basket. The fluctuation band was increased from 0.5 per cent either side of a central fixed rate to 7.5 per cent, creating a 15 per cent spread.

The central bank acted after a period of heavy inflows of foreign capital, which amounted to \$8.4bn in 1995, the equivalent of about 18 per cent of gross domestic product.

The growth in liquidity resulting from this avalanche of money complicated the CNB's aim of reducing inflation. The average inflation rate in 1995 was 9.1 per cent.

The CNB had three aims in introducing a more flexible exchange rate policy. The first was to eliminate the inflationary effects of short-term capital inflows.

The second aim was to increase the competitiveness of the Czech economy, a longer term goal aimed at eventually reducing the trade deficit.

The third aim, related specifically to the size of the new band, which surprised many, was to allow the CNB to have the ability to use the full 15 per cent spread if it was forced to do so.

A narrower band may not have been sufficient to neutralise speculative capital and the bank would have lost a certain credibility if it were forced into a second widening.

The CNB acted when it did because the flow of capital in the first two months of this year "had practically stopped on a net basis," according to Mr Josef Tošovský, CNB governor. This reduced revaluation pressures on the koruna, creating the optimal conditions for a change in exchange rate policy.

How much of the total 1995 inflow of foreign capital is short-term or speculative is a matter of conjecture. Estimates suggest it is about 20 per cent of the total of \$8.4bn, which is nevertheless a destabilising amount in such a small market.

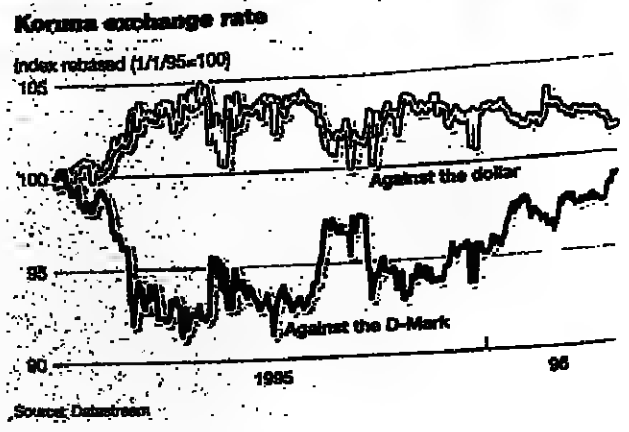
In the three days following the CNB's move, a net \$660m was withdrawn by investors, Mr Tošovský said. But on April 1 the CNB raised interest rates to try to stem a sharper-than-expected rise in inflation in January and February caused mainly by increases in regulated prices.

Fearing that rises in, for example, the price of bread would lead inexorably to demands for higher wages and pensions, the CNB felt it had no choice but to raise interest rates, since a primary goal is to cut inflation further in 1996 to about 8 per cent.

The interest rate increase had the predictable unwelcome effect, from the CNB's point of view, of once again attracting more short-term foreign capital. About Kc 2.4bn flowed in over three days, as if testing the central bank's new-found resolve to use the full width of the expanded fluctuation band to ward off currency and interest rate speculators.

Mr Tošovský said the CNB was ready to use the full width of the band to increase uncertainty in the exchange rate if necessary – "investors have to take the full band into account," he said.

Koruna exchange rate



Vincent Boland

Growth of gross domestic product

	1993	1994	1995	1996*	1997*
GDP, growth in percentage	-0.9	2.6	4.8	5.5	5.5 - 5.9
Consumer price inflation, growth in percentage	20.8	10.0	9.1	7.5-8.5	7.2 - 7.6
Unemployment, end of year, %	3.5	3.2	3.0	3.2	3.5 - 3.9
Current account to GDP ratio, %	0.4	-0.1	-4.1	-8.4	-5.7
General gov't budget balance to GDP ratio, in percentage	0.7	0.9	0.4	1.4	0.8
Public expenditure to GDP ratio, in percentage	-	47.7	47.3	44.7	42.5
Public debt to GDP ratio, in %	21.1	19.3	17.9	15.8	14.4

*Estimates. Source: government statistics

The move by the Czech central bank to widen the trading bands for the Czech currency, the koruna, may slow or reverse the flow of short-term speculative capital into the country, which was previously attracted by high interest rates with little exchange rate risk.

Since the end of February the koruna has been able to fluctuate 7.5 per cent either side of the daily currency fixing compared to the 0.5 per cent previously permitted.

A tendency for the currency to appreciate may further add to the pressure on Czech industry to restructure.

With virtually the lowest level of unemployment in the whole of Europe at some 3 per cent, economists voice repeated concern about the pace and effectiveness of the restructuring of enterprises, which are believed to be overmanned and reluctant to shed surplus labour.

The shake-up was supposed to follow in the wake of privatisation, where the Czech Republic moved further and earlier than most of the transition economies, but there is unease about the ability of new owners to lead the drive to restructure.

"Czech industry lags behind foreign competitors in technology, retains backward working practices and outdated management strategies," claimed the Merrill Lynch report.

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■ **Banking:** By Vincent Boland

Big need to tackle problem loans

Czech banks are finding that reform is a never-ending process

A number of pressing questions face the Czech banking sector at a crucial stage in its reform process. The most serious is the need to get to grips with problem loans, which plague every bank's lending portfolio and have already caused the collapse of several small institutions.

The bulk of communist-era loans were assumed by the Consolidation Bank, leaving the balance sheets of the Big Four – Komerční Banka (KB), Ceská Spořitelna (CS), Investiční & Poštovni Banka (IPB) and Ceskoslovenská Obchodni Banka (CSOB), which were created by the break-up of the centralised banking system – relatively free of irrecoverable debt. While some communist-era debt remains a problem for the sector, the most acute difficulty is soured lending arising from loans granted since 1990.

An exception

Only KB, the linchpin of the sector, is considered to have achieved considerable success in provisioning for bad debts. KB required only a small sum to set aside against bad and doubtful debts from its 1995 results, but its total reserves nevertheless amounted to Kc 28.5bn at the end of the year.

CS, the giant savings bank, was forced this month to set aside over Kc 9bn of gross profits for 1995 as reserves against problem loans in its portfolio, almost wiping out its after-tax profit. CS has been in the lending business only since 1990, and its lending difficulties, compounded by its exposure to the collapse of several small banks through its dominance of the interbank lending market, have highlighted the problems that the sector has incurred since the start of economic reforms.

Problem loans are not just an indication of difficulties within the banking sector, however. They also testify to the growing problems of borrowers, especially those large companies that have been wholly or partly privatised and which are encountering severe restructuring problems themselves.

Standard & Poor's, the US ratings agency, in its April BankRatings report, said that virtually all Czech banks are plagued by problem loans. "The dearth of bankruptcy proceedings indicate delays in problem recognition, and, more importantly, deferment of organisational and financial restructuring of borrowers," S&P noted.

The large stakes in KB, CS and IPB held by the state have helped to reassure investors that if any of these three institutions, which constitute the bulk of savings and lending business, were to encounter serious problems the state would step in. Bankers believe there is no question but that official help would be available for these three banks, although the likelihood of such action being required is receding as they continue to provision under pressure from international auditors and from their own desire to attract foreign portfolio investors.

Problem loans, and an unwillingness or inability to tackle them, run deeper among the country's army of small banks. These institutions were set up using private capital in a period up to late 1994 during which the Czech National Bank had a liberal licencing policy. The most successful of this breed of bank is Agrobanka, which has pursued an aggressive growth policy in the past year but remains a somewhat intransparent institution.

However, the small bank sector was rocked earlier this year by the near-collapse of Ekoagrobanka (no relation to Agrobanka), which was brought to the brink by unwise lending. The CNB agreed, somewhat to the surprise of observers, to step in to rescue Ekoagrobanka while warning small banks that the rescue was a one-off and that the sector needed to sort itself out quickly.

Mr Richard Salzmann, chairman of KB, remembers the shock he got three years ago when the bank got its first international audit. He and his board had expected to make a profit of Kc 5bn, but the audit revealed a loss of Kc 4.5bn because of the need to increase loan loss provisions.

"We are happy to have that experience behind us," he says, "but it is one that a lot of Czech banks have yet to undergo."

Problems within the small-bank sector raise another serious issue facing the authorities and the wider banking world. In devising a solution for the small sector, should the large banks be forced to help?

Yes, argue the heads of small banks, and even the central bank is sympathetic to the idea.

No, argue senior bankers at the bigger institutions. They are private companies, not charities, they argue.

The CNB estimates that between 5 and 7 per cent of the small-bank sector is in serious difficulties, "equal to one medium-sized bank," says Mr Josef Tošovský, central bank governor. He argues that a significant, one-off move to sort out these small banks, with financial support from the National Property Fund and the larger banks, is in the wider interests of both the banking sector and the economy as a whole.

Higher costs

Troubled banks give the appearance of instability, Mr Tošovský argues. Instability could raise the costs to big banks of raising funds abroad. "This could raise the cost of borrowing for the whole economy," the governor says. That is why the CNB is trying to persuade large banks to bear part of the cost of stabilising the sector. And since, despite privatisation, the state is the largest shareholder in KB, CS and IPB, executives there are likely to respond positively to any request for financial assistance, even while protesting about it, analysts believe.

In the longer term, all Czech banks face the problem of competitiveness. Despite their rapid growth they are minnows in the European context. While rumours surface from time to time of mergers among the Big Four, discussion of developments like these are somewhat beside the point while the state is the biggest shareholder.

Ownership of CSOB, the fourth large bank, is particularly complex, with the Slovak state owning 24 per cent and most of the rest split between the Czech finance ministry, the NPF and the CNB.

At the service level, much also remains to be done to provide the kind of banking services common in the EU. Foreign banks have also become powerful competitors of the big local institutions in the areas of corporate lending and capital market activities. Much progress has been made in the past five years, but Czech banks are finding that reform is a never-ending process.

OWNERSHIP OF CZECH BANKS

● **Ceská Spořitelna (Czech Savings Bank):**
National Property Fund (NPF) – 45 per cent.
Investment funds (IPFs) – 32.5 per cent.
Municipalities – 14.75 per cent.
Individual shareholders (DIKs) – 4.75 per cent.
Resitution investment Fund (RIF) – 3 per cent.

● **Komerční Banka:**
National Property Fund (NPF) – 48 per cent.
Investment funds (IPFs) – 33 per cent.
Individual shareholders (DIKs) – 7.5 per cent.
Foreign institutions – 9 per cent.
RIF – 2.5 per cent

● **Investicni and Poštovni Banka:**
National Property Fund (NPF) – 32.8 per cent.
Prvni Investicni AS (PIAS, IPB's fund management arm) – 14.7 per cent.
Ceska Pojistovna (Czech Insurance Co) – 7.5 per cent
RIF – 6.8 per cent
Institutions, including IPFs and other portfolio investors – 38.2 per cent.

● **Ceskoslovenská Obchodni Banka:**
Czech National Bank – 26.5 per cent
Czech NPF – 19.6 per cent
Czech Ministry of Finance – 20 per cent
National Bank of Slovakia – 24 per cent
Others – 9.9 per cent

■ **Political scene:** By Kevin Done

Governing coalition in confident mood

As elections loom, the fragmented nature of the opposition rules out a unified challenge from the left-wing parties

In nearly all the former communist countries of central Europe renamed, reformed ex-communist parties have returned to power, but not in the Czech Republic.

The country's special position in the region is unlikely to be broken at the general election due at the beginning of June with all the opinion polls pointing to a clear victory for Prime Minister Václav Klaus's right-of-centre Civic Democratic party (ODS) and his coalition allies.

The image of political stability and fiscal rectitude has underpinned the Czech Republic's standing in international financial markets and supported the strength of the currency.

Indeed, there is some speculation among political analysts that the present governing parties, the ODS along with the Civic Democratic Alliance (ODA) and the Christian Democratic Union/Czech People's Party (KDU-CSL) could boost their share of the vote to the point that they would gain a constitutional majority, the three-fifths of the members of parliament necessary to change the constitution.

Such a result would throw an added spotlight on the election in the autumn of the first Senate, the country's planned second parliamentary chamber, which observers see performing an important role as a constitutional check on a government able to dominate the lower chamber and led by the powerful Mr Klaus.

Opinion polls this year have consistently placed the ODS at around 29 per cent of the vote, with the Social Democrats – the main opposition party – gaining 20 per cent.

Government fears last year that the ODA, the junior coalition partner which seeks to appeal in particular to the new entrepreneurial class, might fail to clear the minimum 5 per cent hurdle, have receded. In recent months the ODA has gained ground in opinion polls to reach around 9 per cent support instead of the 5 to 6 per cent, where it languished for much of last year.

At the same time, some doubts have surfaced about the loyalty of the centrist Christian Democrats, which have failed to proclaim the ODS as their only imaginable post-election partner, thus opening the door to a possible coalition with the Social Democrats. This remains an unlikely scenario, but the Christian Democrats could eventually emerge as the swing party of Czech politics.


Czech President Václav Havel, the former dissident playwright and leader of the Velvet Revolution in 1989, believes the country will develop along west European lines with a stronger social democratic alternative Reuter

The present confidence of the governing coalition over the election result is strengthened by the fragmented nature of the opposition, which rules out a unified challenge from the left-wing parties.

Unusually for the countries of central Europe the Czech Republic still has an unreformed communist party, the Communist Party of Bohemia and Moravia, which consistently claims around 9 per cent of voter support, in particular from older people feeling threatened by all the systemic changes of the past 6 years.

Czech President Václav Havel, the former dissident playwright and leader of the Velvet Revolution in late 1989, says the failure of the former communists to reform has guaranteed that they will remain, however, at the margin of Czech politics.

"Unlike in Poland or Hungary or other countries in the region, we had a communist party that was one of the most conservative and the most sclerotic," said President Havel in an interview.

"All the reformers were expelled after the Soviet invasion of 1968, and that is why the communist parties – we have four now – do not play a major political role in this country right now."

For the Social Democrats, a party with a long tradition in Czech politics which was banned during the 40 years of communist rule, co-operation with the communists is not an option that can be contemplated.

They have made significant progress during the past four years under the somewhat acerbic leadership of Mr Milos Zeman, but there are few that believe that they yet constitute an alternative government.

The Czech president believes that the country will eventually develop along west European lines with a stronger social democratic alternative.

"We can see that in west Europe the pendulum swings from left to right and back again, and I believe that that is

Continued on page 5

Capital markets: By Vincent Boland

Consolidation process under way

Investment funds now control most of the country's financial assets

Reform is the issue of the moment in Prague's financial community. Depending on which side of the argument one is on, the consolidation process now under way in the ownership of privatised industry is either a logical, necessary and welcome development that must not be hampered or curtailed by the dead hand of regulation, or it is logical, necessary, welcome and should be encouraged by being regulated so that it benefits all shareholders, not just a few of them.

Most market participants agree that consolidation is a logical step forward from coupon privatisation, which simply removed property from state control. Market forces were trusted to take privatisation to the next stage – of permanent owners. Those market forces are currently at work, with a vengeance.

The government does not want to do anything to slow down this process. It has the backing of managers of investment funds, set up by banks and others to manage the shares that citizens received through coupon privatisation.

Through the funds the banks and other managers acquired large stakes across the spectrum of Czech industry. Doing so cost them nothing beyond advertising fees, because coupon privatisation meant the distribution of billions of dollars' worth of property to individuals for payment only of an administration fee. Investment funds now control most of the country's financial assets. Investors – mostly aggressive local companies seeking to expand through acquisition, or the more powerful fund managers – use the funds as sources of stock. A purchaser usually needs no more than 34 per cent of a target's stock to have control. Funds also often act in concert, as is the case throughout much of the brewing industry, for example.

This process has been developing at a furious pace for the past year. It was given a boost in October 1995 after the Bahamas businessman Mr Michael Dingman struck a deal with the Harvard fund management group run by Mr Viktor Kozeny under which Stratton, Mr Dingman's private investment company, took stakes in eight leading Czech enterprises.

Mr Kozeny may not be the biggest fund manager, but he is probably the most influential and certainly the most farsighted. He was the first to set up in the business, and spotted the opportunities of coupon privatisation long before his rivals did. Since then, every move he has made – he runs his business from his home in the Bahamas, where he is Mr Dingman's beachfront neighbour – has been watched obsessively in Prague for clues to where the market is headed.

The newest development involves investment funds changing their status to that of holding companies. By doing so, fund managers get around rules that limit the amount of money they can invest in a single company. There is no specific clause in the regulations governing funds that prevents a fund from being turned into a holding company, but lawyers have pointed out that such a move almost certainly comes under the heading of "significant change in a fund's status", which the regulations seek to discourage unless it is carried out after full consultation with and approval of a fund's shareholders.

The process of consolidation is under way at a time when foreign investors are showing a renewed interest in the Czech stock market. Foreign investors made a killing in the market in its early days in 1993, exiting just as share prices peaked. For much of the past two years the market has been in a slump, but Mr Dingman's appearance, the completion of coupon privatisation, the attractions of particular stocks such as SPT Telecom, and a general reassessment of emerging markets, has sparked renewed interest among portfolio investors.

> 'We are trying to get the regulations closer to those of a normal, functioning market'

While foreign investors were away, however, the PSE turned into a classic insider's market. The consolidation process is not aimed at enhancing shareholder value but at acquiring control of companies at minimal cost as domestic fund managers and corporate bosses jostle for position.

Much of this activity has taken place outside the official Prague stock market. As a result, published data is constantly overtaken by unpublished events. Even the PX 50 index of leading shares is treated with suspicion by independent fund managers, who say it is based on incomplete data.

This is not the ideal environment in which to attract foreign money. Many potential investors, such as pension funds which are strictly regulated in their home markets, are reluctant to enter. "People don't want this hassle," says Mr Zdenek Bakala, chairman of the investment bank Patria Finance, who believes the PSE is under-performing Warsaw and Budapest by a factor of three or four as a result of its technical shortcomings.

The Czech capital market – the PSE, corporate governance, shareholder rights, and so on – is governed by three key pieces of legislation: the Commercial Code (which sets out rules for the business environment), the Investment Companies Act, which regulates the activities of investment funds, and the Securities Act, which regulates the stock market. The last two were drafted in the heat of coupon privatisation.

Amendments to these acts due to take effect on July 1 will tilt the balance of power marginally away from exponents of the status quo and marginally towards independent investors who seek greater protection of their rights to consultation and a reasonably free flow of information. They were inspired mainly by Mr Tomáš Ježek, an architect of coupon privatisation who took over as chairman of the Prague stock exchange on April 1.

The key changes are an amendment to the Securities Act designed to enhance protection of minority shareholders, and an amendment to the Commercial Code which will oblige an investor taking a stake of 50 per cent or more in a company to make an offer to buy out minority shareholders in that company.

Other changes will oblige a group of managers seeking to delist a company from the exchange to seek the approval of shareholders (currently only the board of directors need approve such a move), and will break the dominance of the state-run Securities Centre in acting as the registrar of all shareholdings.

"We are trying to get the regulations closer to those of a normal, functioning market," says Ms Petra Wendelová, a vice president of investment banking at CS First Boston in Prague who advised on the new rules.

The big test remains their enforcement, and there is no guarantee, despite Mr Ježek's appointment, that enforcement will be any more effective than it is now. Until an independent watchdog is in place, the Prague stock exchange will continue to be a shark-infested stretch of water for the average investor.

Reform is the hot topic in the financial community. Above, the banking district, Prague

Ministerial interview: Vladimír Rudlovčák

A reluctant regulator

'The first duty of the government is to complete privatisation,' says the deputy finance minister

Mr Vladimír Rudlovčák, the deputy finance minister with responsibility for capital markets, is a reluctant regulator.

In at the birth of coupon privatisation, he claims that the structure of the capital markets this pioneering exercise created is unique and not comparable to that of other markets abroad.

"Our capital market is something specific. It is very difficult to compare it to any other emerging market, because 90 per cent of it is not a traditional capital market," says Mr Rudlovčák. "The question is: what should be on the capital market and what should leave it. We must now give natural forces the space to sort this out."

One of Mr Rudlovčák's tasks is to oversee the markets supervision section of the ministry, which has come in for fierce criticism for its inability to enforce the rules that exist to regulate market activity. With 65 inexperienced and badly-paid staff trying to monitor the complex activities of increasingly sophisticated investors whose understanding of the rules is infinitely greater than that of the regulators, it is a thankless job.

Mr Rudlovčák insists that consolidation of the ownership structure that emerged from coupon privatisation is crucial to the development of the market. Regulation should not prevent that process, he says, and there is little the government can or should do to create the conditions where all investors will benefit equally because to do so could stop the process or slow it down.

"Why should I limit [the activities of large investors] while pretending to protect small investors? If I do, I'll simply stop this process of consolidation and small investors will end up much worse off if consolidation stops or slows down.

"I'm an opponent of false protection. The first duty of the government is to complete privatisation. From the beginning we had a principle that if we can, with minimum risk, proceed without regulation, we would. If I'm not compelled to regulate, I won't – until something changes and then I will change my approach."

Mr Rudlovčák is not convinced that now is the time to change the government's approach. He says he disagrees in principle with some aspects of the proposed reform package, particularly the clauses relating to mandatory buy-out offers where a shareholder takes a 50 per cent or higher stake in a company.

Financing for such buy-outs, he believes, will be difficult to raise. Investors who cannot raise the extra finance to make such an offer might decide not to move at all, he fears.

He also says there is unlikely to be any significant strengthening of the supervisory section to ensure that the new rules are enforced. He says he is sympathetic to the idea of an independent watchdog modelled on the US Securities & Exchange Commission, but until one is established he appears reluctant to see the ministry create an in-house watchdog that might ultimately be a barrier to it.

The reform package "will be absorbed over a year," he says. "Then in 18 months we can look again at setting up a new supervisory authority".

Vincent Boland

Prague stock market development: By Kevin Done

Concern over corporate disclosure

Foreign investors worry over lack of transparency in prices and illiquidity

Prices on the Prague stock exchange have made significant progress this year, but they have been overshadowed by the big gains achieved in Warsaw and Budapest.

The fundamentals of the Czech economy and the sense of political stability – unaffected by the looming election – ought to favour Prague in the minds of foreign investors looking to invest in central and east European equity markets, but brokers warn readily of the perils of investing in Czech securities.

The concerns range from inadequate corporate disclosure, lack of transparency in prices, illiquidity, and the fact that it is an insider's market.

A report from Zivnostenská Banka, the Czech bank in which BHF Bank of Germany holds a dominant position, claims that the main obstacles to better performance in recent months have been "poor market transparency and fear of investors scared by the so-called third privatisation wave".

The latter is the rather misleading term given to the process of concentration of ownership currently under way in the Czech Republic with quick changes occurring among the shareholders controlling large stakes with little thought given to the protection of minority shareholders.

While the markets in Warsaw and Budapest have surged by 50 per cent and more so far this year, the main Prague stock exchange index has advanced more sedately with a rise of more than 15 per cent during the first three months of the year. This has still outstripped earlier less optimistic forecasts, however, and is a gain that many analysts had expected to take up to 12 months to achieve.

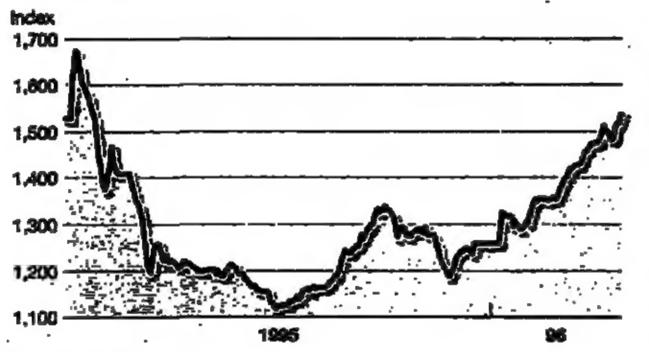
After the collapse of the first half of last year in which the PX-50 index fell from 586.6 in January to a low of 387.2 in June, there was a slow recovery during the second half with a gain of 10 per cent to end the year at 425.9. Steady gains this year mean that during April the index has again broken through the 500 barrier.

Still, investment bankers claim that it is crucial to have a reliable domestic broker on your side to avoid the myriad pitfalls of the Czech market. "This is much more important in Prague than in Warsaw, where there is one market, better disclosure of corporate events and clear regulation," says Mr Aleš Barabas, Zivnostenská Banka director of investment banking and chairman of the Prague Stock Exchange's listing committee.

According to local brokers Patria Finance the Prague market has developed rapidly in its first three years, but they maintain "it has a long way to go before it begins to offer the liquidity, transparency, quality of trading and settlement procedures of other European exchanges". The problems are galling as Prague has the potential to be a leader in the region. The number of stocks on the market at more than 1700 – reflecting the completion of two waves of mass voucher privatisation – dwarfs both Warsaw and Budapest, and at some $20bn the market capitalisation is several times higher than those of the Polish and Hungarian bourses.

"The potential here is much greater, there is a higher market capitalisation, and more companies, but you must analyse everything very carefully. There are four prices in Prague, it is much more demanding," says Mr Barabas. "Based on the economic fundamentals, it is the time to come and buy, but there are obstacles to investing."

Stock market



Source: Datastream

Already lacking in liquidity, share trading in Prague suffers from there being four different markets, the Prague stock exchange (PSE) itself with both its automatic trading system and direct block trades, the Securities Centre and the RM-System, mainly used by individuals. Zivnostenská estimates that the RM-S accounts for 10 per cent of share trading, the Securities Centre for between 30 and 40 per cent and the Prague stock exchange for between 50 and 60 per cent.

The main index for the market is the PX-50, based on the top 50 stocks on the Prague stock exchange. It reflects only prices in the central market's automated trading system, which for much of last year was accounting for 10 per cent or less of the market's traded value, with the balance accounted for by direct trades.

"The creation of prices in Prague is ridiculous," claims one leading investment banker. "The prices in over-the-counter direct trades of blocks of shares are totally different to the prices in the central market. And the prices at the Securities Centre are totally different to the PSE and for market information are useless. Traders exchange shares at the Securities Centre, because they don't have to reveal the real price. It's a nice tool to confuse the competition and to manipulate the market."

Very large premiums are being paid for big blocks of shares in what is still seen as a market for strategic rather than portfolio investors, where the process at work is still one of concentration of control, of consolidation, rather than one of raising capital and of setting prices.

"There is still a big step ahead for this market to move from privatisation to the normal functions of a capital market," says Mr Barabas.

Some important changes are already taking hold, however, which are improving trading prospects in the main stocks. In March the bourse moved to continuous trading for the first time in the five main stocks, Komerční Banka, the leading commercial bank, Ceská Spořitelna, the savings bank, CEZ, the power utility, SPT Telecom, the partially privatised telecommunications utility and the KB Investiční fond, the investment fund.

Continuous trading is expected to improve both liquidity and price formation. It will further concentrate operations on a market, where already around 60 per cent of trading is focused on the top 10 stocks. At the same time, more onerous financial reporting regulations have been imposed on the leading 60 or so listed companies on the bourse.

Three tiers were introduced last year with the top 35 stocks in the "main market" having to provide quarterly financial reports, and the remainder of the 60 listed companies in the so-called second tier reporting every six months.

Profile: Tomáš Ježek, chairman of the Prague stock exchange

Outspoken protector of small investors

Mr Tomáš Ježek, the chairman of the Prague stock exchange, is one of the best-known faces in the Czech Republic. His blunt, populist style has made him a popular figure, while his relative independence from the party political fray, despite being a member of the governing Civic Democratic Party (ODS), means he is also something of a loose cannon.

Mr Ježek is one of the men who planned and executed the coupon privatisation programme. As chairman of the National Property Fund, the state holding company, during the first wave of privatisation he played a key role in ensuring a successful outcome. He left that post in 1994 in controversial circumstances, in a coup by leaders of the Civic Democratic Alliance (ODA), a junior coalition party of which he was then a member.

At the same time he defected from the ODA to the ODS, which has proved to be a more natural home for a man not afraid to speak out of turn. He has campaigned for some time for the chairmanship of the PSE, and on April 1 succeeded Mr Richard Salzmann at the post. The latter stepped down because of the demands of his position as chairman and chief executive of Komercni Banka, the biggest Czech bank.

Mr Ježek brings to the stock exchange post a determination to protect the interests of small investors in a process of rampant, post-privatisation consolidation in the ownership structure of Czech industry. Since he does not bring any experience of stock markets to the role, his most potent weapon in ensuring a more orderly market may be his genuine outrage at what he believes is the abuse of millions of small investors – most of them Czech citizens – at the hands of the domestic investment funds and other powerful market players.

He has already made his presence felt. Earlier this month he removed a large investment fund's listing from the main market after its managers changed its status to that of a holding company. That move, Mr Ježek said, was a violation of the investment fund licence granted to PPF, the fund's manager, and described it as "a commercial offence".

PPF said it would seek to have the new holding company's stock market listing restored as soon as possible but did not offer to revert back to the status of investment fund. Nevertheless the PSE chairman believes he has made a point – "PPF did not inform the market [ie make a public announcement] of the change, so the fund was suspended".

This example cuts to the heart of the debate on the transparency of the Prague market. Disclosure rules are frequently flouted, but they will be strengthened by the adoption of amendments to the acts governing the capital markets. Mr Ježek is determined to see that those new rules are enforced, even though it is the finance ministry and not the PSE that is responsible for enforcement.

But, as is clear from the PPF case, the exchange can impose its own sanctions. Investors "not meeting the disclosure requirements [of the new amendments] will lose their voting rights for one year," says the chairman.

Vincent Boland

vatisation: By Vincent Boland

The heady days are over now

The pioneering coupon privatisation programme ended early last year, while strategic privatisations arguably peaked last summer. Much of what remains to be privatised – banking, telecoms, energy – has already been partly sold

An era of sorts will end in the first weeks after the Czech general election with the probable closure of the Czech privatisation ministry. Although the sell-off programme is by no means over, the ministry's role as an administrative centre for the vast amount of paperwork involved in coupon privatisation effectively ended early last year.

From now on, privatisation will take a different form, with decision-making centred on the cabinet and at the finance ministry, which is likely to assume responsibility for the National Property Fund, the state holding company which up to now has been an adjunct of the privatisation ministry.

For the new government, speed will no longer be of the essence in taking privatisation decisions. Much of what remains to be privatised – banking, telecoms, energy – has already been partly sold off. The question will be to what extent these sectors need strategic investors, who those investors should be, and where they should come from.

The most difficult issue to be faced is the further privatisation of the banking sector. It is a matter of some debate as to whether ending state involvement in the country's four large banks is a necessary prerequisite to privatisation of other industries, but there is no doubt that the state's shareholdings in the banks act as a force of both good and ill for the economy. Senior Czech bankers believe that those shareholdings lend credibility to the sector. At a time of painful re-adjustment to the market, they signal a readiness by government to step in to help should something go badly wrong.

Bankers point out that all the banking collapses over the past three years have been of new, private institutions in which inexperienced or downright incompetent executives over-extended themselves.

But continued state ownership of the big four also raises questions about the depth of privatisation, given that Komerční Banka, IPB and Ceská Spořitelna are among the most powerful fund managers, managing investment funds with stakes in a swathe of industrial holdings on behalf of millions of citizens.

Combining these large investment portfolios with their savings and lending businesses, the large banks probably control two thirds of the Czech Republic's financial assets, estimates Mr Vikas Thapar, Prague representative of the International Finance Corporation, the private sector arm of the World Bank.

For the moment there is a problem about further privatisation of the sector. A shortage of domestic capital rules out sales to domestic investors.

For a variety of reasons, meanwhile, the government is reluctant to sell stakes in the large banks to foreign strategic investors, although the Czech National Bank is more in favour of this option.

German buyers

The most obvious buyers are German banks or other institutions, and German influence in the economy is already considerable. In addition, the only significant foreign investor in the Czech banking sector is BHF Bank of Germany, which owns 40 per cent of Živnostenská Banka, a mid-size niche bank.

One sector likely to be an early target of privatisation is energy distribution. This sector was slated for sell-off last year but the process was stopped because regulatory issues remained to be clarified.

Eight gas and eight electricity distributors, created through the break-up of old monopolies, have already been partly privatised through coupons, and local authorities also own stakes.

Wide interest

There was strong initial interest from British, German and French energy groups in the sector last year, and these potential investors are expected to return if and when the distributors are offered for sale.

In addition, the state owns two-thirds of CEZ, the electricity producer, but there are no plans currently to reduce this.

The energy sector was further restructured last year through the creation of Unipetrol, a holding company for petrochemicals, oil refining and petrol retailing. A 49 per cent stake in the Litvinov and Kralupy refineries was sold to a consortium of Agip, Conoco and Royal Dutch/Shell, presaging a $450m investment and modernisation programme.

Another early candidate for privatisation could be Nova Hut, a large steel plant in Moravia. The government has an unhappy record of steel privatisation, however. Poldi Ocel, the first to be privatised, is facing bankruptcy and has cost taxpayers at least Kc 750m so far in unpaid bills.

There are also allegations of fraud surrounding its sale to the entrepeneur Mr Vladimir Stehlík, who ultimately could not raise all the money he needed to buy the plant.

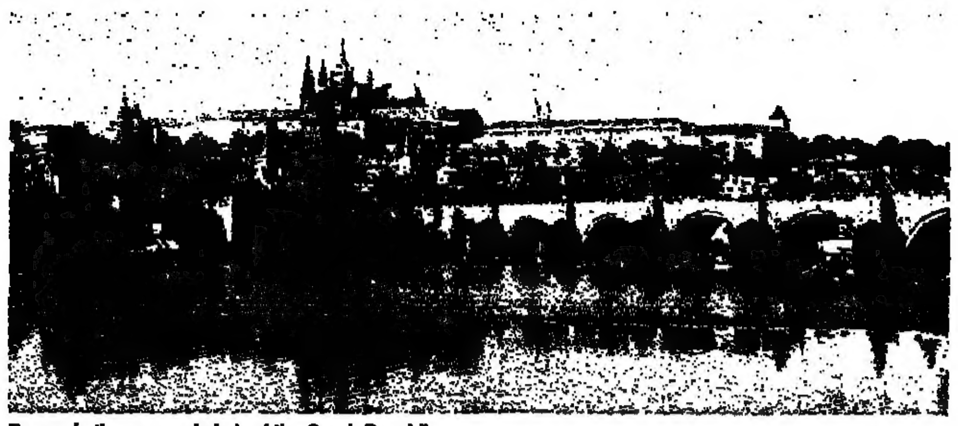
Earlier this year, the government sold a controlling stake in a second steel plant, at Třinec, to a group of investors at Moravia Steel, a new private company. That sale also caused controversy, because the purchase was financed by the Consolidation Bank, a state-owned institution.

Whether allowing private investors to use public money to buy a property from the state can be called privatisation is one of the deeper ambiguities surrounding the Czech sell-off programme.

The steel industry remains a key sector in the low-wage, low-tech Czech economy. Although the industry has shed thousands of workers over the past five years it still needs heavy investment in modernisation and the streamlining of production. Nova Hut needs to spend about $700m over the next five years to modernise, most of which will have to come from private sources. For that reason, and to avoid a repetition of earlier mistakes in the sector, getting the plant's privatisation right first time is crucial.

The big privatisation rush is over, however – the coupon programme ended last year, while strategic privatisations arguably peaked last summer with the sale of 27 per cent of SPT Telecom to a Dutch/Swiss consortium for $1.45bn.

Much of what remains to be privatised is not as attractive to investors as telecommunications, making the new government's job more difficult. A review of privatisation options and priorities is likely to follow after the election, and it could include innovations such as international public offerings as a means of selling stakes.



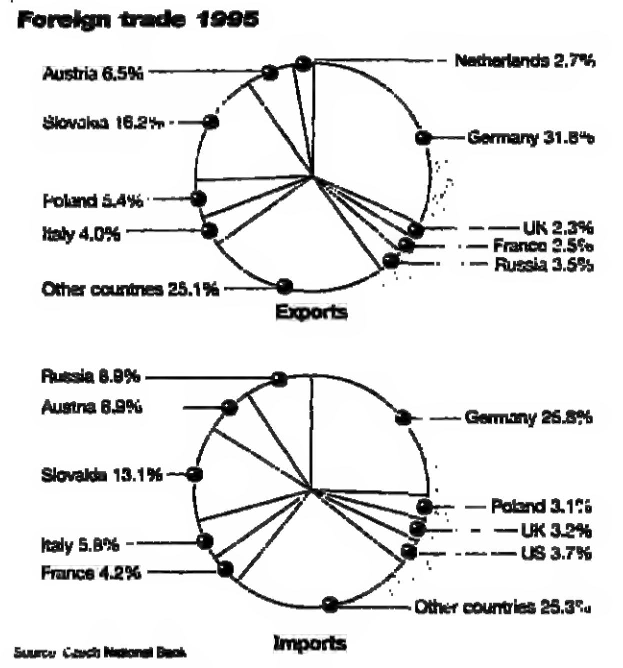
Prague is the economic hub of the Czech Republic

Picture: Ross Bra,

CZECH REPUBLIC: KEY FACTS

President	Václav Havel
Prime Minister	Václav Klaus
Finance Minister	Ivan Kocarnik
Constitution	Parliamentary Republic
Population	10.4 million
Capital city	Prague
Currency	Czech Koruna, Crown (US$1 = Kc 27)
Industrial production growth, 1996 estimate	6.0 per cent
Average consumer price inflation, 1996 est.	8.5 per cent
Nominal GDP, 1996 forecast	$50.3bn
Nominal GDP per capita, 1996 forecast	$4,837
Exports, 1996 forecast	$18bn
Imports, 1996 forecast	$21.8bn
Gross foreign debt, 1996 estimate	$16.2bn

Foreign trade 1995



Source: Czech National Bank

■ **National Property Fund:** By Vincent Boland

Embarrassing setbacks for largest shareholder

A review of the NPF's future is likely after the election, when control of the agency moves to the finance ministry

The National Property Fund is the country's single biggest shareholder, still administering stakes of varying sizes in hundreds of companies. But it is under ...wing attack from many ...s after two recent setbacks ... have called its continuing ... into question.

...e NPF's most ...rrassing setback was the ... to which its flaws were ...ed by the collapse of ...Ocel, a steel company ... the entrepeneur Mr ...ir Stehlík bought a 35 ...nt stake in a tender ...sed by the agency in ... That sale went badly ... and is now the subject ...rt action. Poldi ...while, is facing ...ptcy.

... issue is how much the ...s responsible for the ...ontract with Mr ... which even the NPF's ... admitted "leaked ...e". In fairness, the ...lding company's ...ative chairman, Mr ...an Češka, was not in the ...sition in 1993, although as deputy privatisation minister at the time he would have played a key role in the tender. Mr Stehlík currently owes the NPF some Kc 750m in an unpaid instalment for his stake. In addition, Poldi owes huge sums in unpaid social security levies, which the labour ministry is unlikely to recover. During its short period in private ownership, Poldi also ran up huge debts, estimated at Kc 3.8bn, which may have to be borne by the taxpayer.

The NPF reacted defensively to the Poldi debacle. But another setback could have more serious long-term implications. In February, the agency failed to find a buyer for a 38 per cent stake in Spolana, a big chemical company, in a tender, not because it is an unattractive investment proposition but because a strategic investor had just acquired a controlling stake, freezing out other serious buyers.

Since the NPF does most of its selling through tenders, the failure to dispose of Spolana suggests it needs to be more innovative in future. Investment bankers, who have a vested interest, talk of the need to undertake public offerings where appropriate, and to consider international offerings to overcome a shortage of domestic capital.

A review of the NPF's future is likely after the election, when control of the agency moves to the finance ministry from the privatisation ministry, which will probably be closed. Bankers say, however, that the NPF also needs to examine its own role as a continuing large shareholder in industry and to develop a long term strategy for acting in that capacity.

At the moment, says Mr Zdenek Bakala, chairman of the investment bank Patria Finance, the NPF "has no strategy, no mandate and no tools to implement it if it had one".

As the country's biggest shareholder, the NPF is a considerable political power base. Mr Češka is a member of the Civic Democratic Alliance, a junior member of the outgoing coalition that also controls the privatisation ministry. The finance ministry, meanwhile, is the province of the Civic Democratic Party of the prime minister, Mr Václav Klaus.

If the NPF comes under the wing of the finance ministry after the election, its political significance, and its continuing role, may be changed considerably.

Coalition remains confident

Continued from page 3:

likely to be the case in this country. It is part of the traditions of west Europe, where we feel we belong."

According to President Havel, "a certain development still lies ahead of our Social Democrats, before they emerge as a genuine alternative like the western social democratic parties are. "Many people feel that we should have a valid Social Democratic party as an alternative to the more right of centre parts of our political spectrum. Given the fact that the Social Democratic party had to start again from scratch, it still needs some time for a structure to develop and for its leaders to profile themselves. It is still experiencing some growing pains."

The Czech Republic continues to enjoy a remarkable pro-reform consensus. There have been some pointers in recent months to the potential for future social unrest, with protests by public sector groups such as the railway workers and more recently by doctors, but disquiet about the state of the health service and about education does not appear to have the proportions that could undermine the present coalition.

The ultimate parliamentary strength of the main parties will be determined importantly by how many of the smaller parties on the Czech political stage succeed in crossing the 5 per cent barrier.

"The election will not be a very exciting event," says Mr Jefim Fistein, the new editor of *Lidove Noviny*, the pro-government newspaper. "But this stability is the main blessing for this country. The world knows what it can count on ... rationalism is so deeply-rooted in Czech society."

■ **Foreign investment:** By Kevin Done

Asian investors take the plunge

So far, the lion's share of interest has come from western Europe and to a lesser extent from the US

The recent decision by Matsushita Electric of Japan to invest in a television plant in the Czech Republic for its Panasonic subsidiary marks the first big Japanese greenfield investment in the country.

Japan and other Asian investors such as South Korea and Taiwan have been slow to enter the emerging markets of central and east Europe, but the Panasonic move has been heralded in Prague as the breakthrough, that could attract a rising wave of Japanese investment.

"There was increasing interest from Japanese companies last year, but this became enormous after we announced the Panasonic deal," says Mr Martin Jahn, director for greenfield projects at CzechInvest, the Czech agency for foreign investment.

CzechInvest is talking with Japanese companies about projects worth $400m, chiefly in the electronics and textiles sectors.

The agency believes that the Panasonic investment could act as a catalyst in the electronics industry as did Volkswagen's acquisition of control of Skoda Automobilová, the Czech carmaker, in the automotive sector a couple of years ago.

The takeover by Europe's biggest carmaker of Skoda has triggered a big effort to restructure and modernise the Czech automotive components industry and has already led to the formation of more than 40 joint ventures between western components producers and Czech suppliers and the setting up of 15 greenfield site components plants.

CzechInvest expects several Japanese suppliers to Panasonic to set up operations in its wake in the Czech Republic, and claims that there is also increasing interest from Japanese companies in buying components in the Czech Republic for their assembly operations in Germany.

Daewoo, the South Korean industrial conglomerate, has been in the vanguard of Asian investments in east Europe, and although it has focused its attention chiefly on Poland and Romania, it has also taken control of Avia, the Czech light truck maker, which it is expected gradually to integrate into its growing east European production network.

Interest in the Czech Republic has also emerged from Taiwan and investment in the creation of an industrial park either in Plzeň or in Ostrava is under discussion.

Attractions

CzechInvest believes that Japanese investors are being attracted to the Czech Republic by its record for "political and macro-economic stability. This was the most important reason for Matsushita choosing this country," says Mr Jahn.

The Matsushita plant, to be built at Plzeň in western Bohemia, is expected to enter production in April 1997 with a workforce of 350 and initial output of 300,000 units a year.

Production, mostly for export to other European countries, is planned to reach a million units a year with the workforce rising to 1,500 and with the possibility of the plant producing other products in the Panasonic range.

While the Czech Republic seeks to woo future investors from Asia, the lion's share of interest to date has come from west Europe and to a lesser extent from the US.

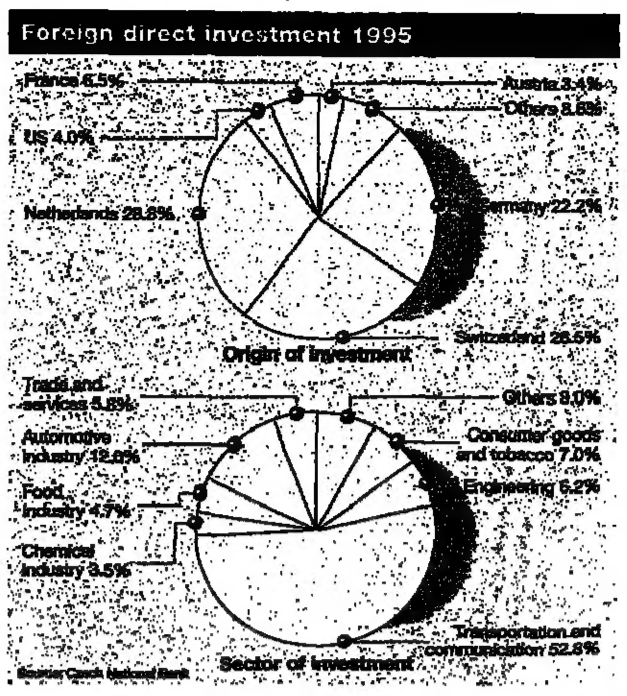
Hungary remains clearly the main recipient of foreign direct investment in central and east Europe, attracting funds totalling $11.2bn in the six years from 1990 to 1995, according to a recent report by the Economist Intelligence Unit.

The Czech Republic, Poland and Russia are forecast to outpace Hungary during the coming five years to 2000, however, with the EIU forecasting foreign direct investment in the Czech Republic of $15.5bn in the period compared with the $5.797bn received from 1990 to the end of 1995.

According to figures from CzechInvest the pace accelerated last year with investment rising to 2.558bn in 1995 compared with $862m in 1994 and $568m in 1993.

Of the cumulative investment of $5.8bn, some 30 per cent has come from Germany, 14.2 per cent from Switzerland and 13.6 per cent each from the US and the Netherlands. France accounted for 9.3 per cent and Austria for 5.4 per cent.

Foreign direct investment 1995



A quarter of the investment has flowed into the transportation and communication sector followed by the auto industry with 18.4 per cent, and consumer goods and tobacco with 14.5 per cent.

Other popular sectors for investment have been the construction industry, banking and insurance and the food industry, with each accounting for between 7 and 8 per cent of total foreign direct investment.

The surge in foreign investment last year was led by a series of key deals including the sale of stakes in the Czech telecommunications and oil refining sectors, and the payment of the final tranche of Volkswagen's DM1.4bn acquisition of its 70 per cent stake in Skoda Automobilová.

The most significant step was the sale of a 27 per cent stake in SPT Telecom, the Czech telecommunications utility, for $1.45bn to the TelSource consortium led by KPN, the Dutch telecoms and postal group, through its PTT Telecom Netherlands subsidiary, and Swiss Telecom, its minority partner.

The deal followed a fierce bidding war among five telecoms groups. TelSource's bid, which had technical support from ATT of the US, comprised $1.32bn in cash and the rest in contributed services.

Last year also marked the sale of 49 per cent of Czech Refineries, the country's two main oil refineries, to a consortium of international oil companies, known as IOC and grouping Royal Dutch/Shell, Italy's Agip and Conoco of the US.

IOC paid $173m for the stake, which has paved the way for a five-year modernisation programme at Czech Refineries (CRC) that will cost at least $480m and is a crucial part of the restructuring of the country's refining and petrochemical industry.

Last year Mr Michael Dingman, a Bahamas-based American private investor, also bought a series of significant stakes in 8 Czech companies for around $250m in sectors ranging from pulp and paper to glass, shipping and breweries.

The entry of his investment company, the Stratton group, heralds the arrival of a new force in the restructuring of Czech industry, with Stratton aiming to add western sales and marketing and financial expertise to companies that have traditionally been production led.

■ **Spending on infrastructure:** By Vincent Boland

Future linchpin for European transport

Given its central location, the Czech Republic will eventually be a key hub in the European transport network. The country is about to run very fast to catch up with western Europe

One of the engines that will drive economic growth over the next ten years is infrastructure spending, as the Czech Republic rushes to upgrade its air, road, rail and water transport systems to European standards.

The transport ministry, which is responsible for this massive modernisation programme, has an annual budget equivalent to three per cent of gross domestic product to finance it – "modernisation is a priority for the government", says Mr Vladimír Budínský, transport minister.

He estimates that Kc 150bn will be spent on modernising the country's transport infrastructure up to the end of the decade. Two-thirds of that sum will be spent on the country's highway network, which is groaning under the weight of increased car and truck transport since 1990.

In 1990, one-in-five Czechs owned a car. Now the ratio is one-in-three, the minister says. But it is not just domestic road users who are responsible for increased traffic. The Czech Republic's position at the geographical heart of Europe means that heavy traffic also arrives from Germany, Poland and Austria, making Czech roads an intimidating drive, especially in high summer as tourists race to the Black Sea beaches.

Four main projects dominate the upgrading of the highways. The first is the completion of the D5 motorway that will link Prague with Nürnberg in southern Germany, via the western Czech town of Plzeň. The Prague-Plzeň leg of this highway was completed late last year and the entire road is expected to be finished by 2000.

The second project is the building of the D8 motorway from Prague north to Dresden in eastern Germany. A contract between the Czech Republic and Germany for this project is expected to be signed soon, although work on the Czech side has already started. The highway is scheduled to be fully operational by 2004.

A third road project is the D47 highway that will run from north to south, linking the Baltic states and Warsaw with Vienna, which will run through Moravia and the eastern Czech city of Brno. The fourth project, meanwhile, is an orbital road circling Prague similar to, though hopefully not as terrifying as, the M25 around London.

Another Kc 50bn will be spent on the railways. The Czech Republic has the world's most extensive railway network, Mr Budínský says, with a density of 1km of track per 1,000 people, compared with 0.28km per 1,000 in the UK.

Two main projects dominate railway spending. The first is completion of the modernisation of the corridor between Děčín in the north via Prague to Břeclav in the east, the last stop on the Czech side before entering Slovakia. This corridor forms part of the main railway line linking Berlin and Budapest and is regarded as one of Europe's most important rail lines.

Car and truck traffic has risen rapidly in the last five years

The second project represents another vital corridor in Europe's rail network – the Ostrava/Přerov/Břeclav leg of the track linking Poland to the south. Each project will be financed by a mix of budget subsidies, state-guaranteed loans and commercial loans from banks, and when they are completed the government hopes they will become the main revenue sources for Ceské Dráhy (CD), the state-owned railway company.

When the two rail corridors have been completed, journey times between Prague, Brno and Vienna should be reduced considerably. It takes nearly six hours to travel from Prague to Bratislava, the Slovak capital. Mr Budínský says the upgrading has the capacity to cut journey times by nearly half.

CD is losing Kc 3bn a year, mainly because railway use has fallen dramatically as car numbers have increased – rail passenger numbers have fallen from 290m in 1990 to 227m last year. A restructuring programme that involves the [illegible] vatisation of some of its [illegible] work is being implemented, although, so far, privatisation extends only to regional [illegible].

"Maybe one third of [illegible] routes can be in private [illegible], but I am very sceptical," Mr Budínský says. The wholesale privatisation of the network as in the UK, has been rejected as unworkable, at least for the moment. Instead, to turn CD around the focus is on cutting costs and raising revenues.

The restructuring of CD will see the closure of some lines where demand for rail services is negligible. Although there [illegible] a target of reducing the network run by CD by 15 per cent, Mr Budínský says the aim is to cut costs, not to shut lines. CD will remain a state company at least until 2000.

Elsewhere, a new international passenger terminal under construction at Prague airport, is expected to raise the airport's capacity to 4.8m passengers by the end of the decade, from 2.3m today. The $200m project is being carried out by Bouygues of France and British Aerospace, with domestic financing. The project [illegible] initially delayed because of the government's refusal to [illegible] antee loans offered by international banks. It went [illegible] when the foreign banks [illegible] drew and the government agreed to underwrite [illegible] from domestic banks.

In addition to tr[illegible] infrastructure, SPT T[illegible] the national telephone [illegible] tor, will also be sp[illegible] heavily on modernisation [illegible] the end of the decade [illegible] year the government [illegible] per cent of the compa[illegible] Dutch/Swiss consorti[illegible] $1.45bn, the first step [illegible] process. Now SPT is [illegible] ing on an investm[illegible] gramme that will c[illegible] $5bn to implement, [illegible] services and linking [illegible] tomers into the network.

Some local operators are gearing up to offer specific services in selected areas, while two mobile telephone operators were licenced at the end of February to begin offering digital mobile communications nationwide. The entire telecoms project is being funded by private finance.

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